ORIGINAL

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 010949-EI

TESTIMONY AND EXHIBIT

OF

R. R. LABRATO

GULF POWER

A SOUTHERN COMPANY

ORIGINAL

GULF POWER COMPANY

Before the Florida Public Service Commission
Prepared Direct Testimony of
Ronnie R. Labrato
Docket No. 010949-EI
In Support of Rate Relief
Date of Filing: September 10, 2001

Q. Please state your name, business address, and occupation.

A. My name is Ronnie R. Labrato. My business address is One Energy Place, Pensacola, FL 32520. I am Vice President, Chief Financial Officer and Comptroller of Gulf Power Company.

Q. Please outline your educational background and business experience.

A. I graduated from the University of West Florida in 1974 with a Bachelor of Arts degree in Accounting. Following graduation from college, I was employed by the Florida Public Service Commission (FPSC) as Auditor and Accounting Analyst. In 1977, I accepted a position as Senior Accountant and Consultant with Deloitte, Haskins, and Sells in Dallas, TX. In 1979, I was employed by Gulf Power Company as Senior Financial Analyst. Since 1979, I have held various positions at Gulf Power, including Supervisor of Budgeting and Financial Planning, Manager of Financial Planning, Manager of General Accounting, and Comptroller. I currently serve as Vice President, Chief Financial Officer and Comptroller.

Q. What professional license do you hold in the field of Accounting?

A. I am a licensed Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants.

Q. Briefly describe your duties and responsibilities as Vice President, Chief Financial Officer and Comptroller.

A. I am responsible for maintaining the overall financial integrity of the Company. My areas of responsibility include the Accounting, Regulatory Affairs, and Corporate Planning departments. I am also responsible for maintaining the overall financial and accounting records of the Company. Gulf Power Company maintains its books and records in accordance with generally accepted accounting principles and the rules and regulations prescribed for public utilities in the Uniform System of Accounts published by the Federal Energy Regulatory Commission (FERC), and adopted by the FPSC. Our books and records are audited by Andersen LLP, independent public accountants, and a copy of their latest audit opinion, for the year ending 2000, is included in the Company's 2000 Annual Report to Stockholders, which is filed as MFR F-1 in this case. Our books and records are also audited by the FERC and this Commission.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain the need for rate relief beginning with the commercial in-service date of Smith Unit 3 and to discuss the rate relief requested based on the June 2002 through May 2003 test year. In addition, I will present Gulf's financial forecast, which is the basis of the projected data for the test period; develop the test year rate base, net operating income, and cost of capital; and calculate the resulting revenue deficiency, which the Company has identified in this filing.

Q. Have you prepared an exhibit that contains information to which you will refer in your testimony?

A. Yes. Exhibit (RRL-1) was prepared under my supervision and direction.

Counsel: We ask that Mr. Labrato's Exhibit (RRL-1), comprised of 21 schedules, be marked as Exhibit No. _____.

Q. What is the source of the figures shown in Exhibit (RRL-1)?

A. The projected data presented on the schedules of this exhibit was obtained from Gulf's financial forecast for the test period, which I will discuss later in my testimony.

Q. Are you the sponsor of certain Minimum Filing Requirements (MFRs)?

A. Yes. These are listed on Schedule 21 at the end of my exhibit.

Q. Please explain why a split calendar year was chosen as the test period.

A. The period June 2002 through May 2003 was chosen as the projected test year because Gulf's new combined cycle unit at Plant Smith is expected to be in commercial operation on or before June 1, 2002. As our testimony and exhibits will show, there is an immediate need for an increase in Gulf's retail rates beginning with the commercial in-service date of Smith Unit 3. The chosen test year is representative of Gulf's expected future operations after Smith Unit 3 is in service and is the first full year that new rates will be in effect.

Q. What is the amount of rate relief that Gulf is requesting in this case?

A. Gulf is requesting an annual increase of $69.9 million in our retail revenues. This amounts to an 11.9 percent increase in our retail revenues.

Q. Why is it necessary for the Company to seek rate relief at this time?

A. As authorized by the FPSC in Docket No. 990325-EI, Gulf Power is constructing a new 574-megawatt (mW) combined cycle unit at Plant Smith. Smith Unit 3 is expected to begin commercial operation on or before June 1, 2002. Smith Unit 3 is the first major generating unit to be built by Gulf Power Company in nearly 15 years. The addition of this generating capacity is necessary for us to continue to meet the electricity needs of our customers. The Company projects capital expenditures totaling $220.5 million for the construction of Smith Unit 3 and an additional $2.8 million related to improvements necessary to connect the new unit to the transmission system. These capital expenditures will result in a 20 percent increase in the Company's jurisdictional rate base. The new unit will also increase annual operation and maintenance (O & M) expenses by approximately $3.4 million in the test year. The total annual revenue requirement for the new unit is approximately $48 million.

Q. Are there reasons other than Smith Unit 3 for the Company's need for rate relief?

A. Yes. The additional $22 million of rate relief requested in this case is necessary to cover significant increases in O & M expenses and capital additions primarily in the production, transmission and distribution functions, which cannot be offset by revenue growth. Increases in production expenses relate to higher outage costs and an increase in costs to maintain Gulf's existing fleet of generating units. This maintenance is necessary to maintain plant efficiencies and minimize forced outages to enable the Company to provide reliable and cost-effective generation to our customers. Significant expenditures for transmission facilities are necessary to ensure the continued reliability of Gulf's transmission system as well as to meet the growing needs of the Company's customers. Increases in distribution expenses relate to maintenance of the Company's aging electrical infrastructure to reduce failures and maintain reliable service to our customers. The Company has also had to implement new technologies and productivity improvements to keep up with the growing service expectations of our customers. The Company's customers today are requiring a higher level of reliability with respect to blinking lights and momentary outages due to an increase in the use of computerized equipment. Mr. Moore, Mr. Howell, and Mr. Fisher will discuss reasons for the increases in O & M and capital additions related to these functions and the specific programs that the Company is implementing to ensure that we continue to provide dependable and reliable service to our customers.

Q. Has the Company's cost of providing electric service increased since 1990, Gulf's test year in the last rate case?

A. Yes. In addition to expenditures for the construction of Smith Unit 3, Gulf will have made capital expenditures of nearly $900 million for the 12.5-year period since 1990, the test year in the Company's last rate case, to the end of the test year in this case. Since the Company's last rate increase in 1990, increases in O & M have also been necessary. The adjusted non-fuel O & M level for the current test year is $69.5 million higher than the O & M level approved for the 1990 test year. However, the adjusted non-fuel O & M level for the current test year is $3.7 million under the amount determined using the Commission prescribed benchmarking process.

In addition to expenses related to Smith Unit 3, several factors have contributed to the increase in the Company's cost of providing electric service during the 12-year period since 1990, the Company's last test year, to the end of 2002. During this period, Gulf's customer base has increased by approximately 32 percent and the Company has experienced inflation of approximately 39 percent. The Company has also constructed new infrastructure of approximately 1400 miles of distribution lines and 90 miles of transmission lines.

Q. Has Gulf tried to avoid the need for rate relief?

A. Yes. Gulf Power has continued to make great efforts to maintain a low level of expenses to avoid the need for rate relief. For example, efforts have been made to run our business in a more efficient and effective manner while still maintaining quality service and high levels of customer satisfaction. These efforts have enabled the Company to reduce its work force by nearly 10 percent below the work force level in 1990. Gulf Power's commitment to creating value for our customers and our investors is reflected in the Company's low kilowatthour cost, high quality service, and excellent customer satisfaction ratings.

Q. Have you made a comparison of Gulf's residential rate to that of other companies?

A. Yes. I have compared Gulf's residential rate for 1000 kWh to those of 53 other utilities across the nation and in the State of Florida as of July 2001. As shown on my Schedule 1, Gulf's residential rate is among the lowest in the comparison group, with only 4 other utilities having lower rates than Gulf Power.

Q. Would Gulf's residential rate still compare favorably if the $69.9 million of rate relief requested in this case is granted?

A. Yes. As also shown on my Schedule 1, Gulf's proposed residential rate for 1000 kWh would remain among the lowest when compared to other utilities across the nation and in the State of Florida.

Q. Mr. Labrato, what are the projected rates of return for Gulf Power Company for June 2002 through May 2003 with present retail rates?

A. Although the Company is projecting to earn within its authorized return on equity range for the 2001 calendar year, the large investment in Smith

Unit 3, as well as other capital additions, and the significant increase in O & M expenses will cause a dramatic decrease in the Company's return on rate base and common equity. With present rates, the adjusted jurisdictional return on average rate base is projected to be 5.12 percent for the 12 months ending May 2003. This provides a return on the average common equity component of 4.43 percent, which is significantly below the 13.00 percent determined by Mr. Benore to be appropriate for Gulf Power Company.

Q. Do projections indicate that Gulf's earnings without rate relief will leave the Company in a weak financial position?

A. Yes.

Q. What are the implications of this weak financial position for the Company and its customers?

A. Investors provide a significant portion of the capital needed to construct our generation, transmission, and distribution facilities. In exchange, they expect, and they deserve, a fair return on their investment, which adequately compensates them for the risks undertaken.

Without rate relief, Gulf's ability to successfully access both the debt and equity markets on reasonable and acceptable terms would be jeopardized. The Company's inability to obtain required external financing on reasonable terms could ultimately restrict growth, inhibit reliability, and increase reliance on short-term debt, which would increase financial leverage and deteriorate the Company's financial condition.

A weakened financial position would prevent the Company from being able to offer securities with sufficiently attractive returns to investors. This would adversely affect capital attraction, as mentioned above, and would make it difficult for the Company to continue to provide reliable service at reasonable costs to our customers. Thus a continued ability to successfully attract investment capital is critical to the Company's ability to provide reliable and low-cost electric utility service to our customers. A strong financial position would enable the Company to attract capital on reasonable terms, maintain a sufficient level of financial integrity, and continue to meet the needs of our customers.

Q. Without rate relief, would your security ratings be put in jeopardy?

A. Yes. In a recent report on Gulf Power, the Moody's rating agency stated that Gulf's financial flexibility would be reduced as the Company begins construction of Smith Unit 3. Gulf currently receives high credit ratings that are supported by strong financial indicators, such as a pretax interest coverage ratio greater than 4 times and a funds from operations (FFO) interest coverage ratio greater than 5 times. Without rate relief, however, Gulf's ratios would be slightly greater than 2 times and 4 times for pretax interest coverage and FFO interest coverage, respectively. Also, the Fitch IBCA, Duff & Phelps rating agency reported recently that Gulf's credit protection measures are "weakened" due to higher capital expenditures related to the construction of Smith Unit 3.

Therefore, we believe that without adequate rate relief our debt and preferred stock ratings would be downgraded. Such events when combined with associated ramifications discussed earlier would increase the Company's overall financial risk and cost of capital while constraining its ability to access the capital markets on reasonable and acceptable terms.

Q. Mr. Labrato, you have indicated that you will present and support the financial forecast used in developing the June 2002 through May 2003 test year data. Please explain what you are supporting in this filing.

A. As noted by Mr. Saxon in his overview of Gulf's planning and budgeting process, there are eight component budgets which are prepared and supported by other witnesses in this proceeding. These component budgets are noted on Schedule 1 of Mr. Saxon's exhibit. I am supporting how the outputs from these component budgets were utilized, in conjunction with other information and data, to develop the Company's financial forecast and Annual Operating Budget. I have used the financial forecast and Annual Operating Budget in developing the Company's June 2002 through May 2003 test year rate base, net operating income, and capital structure.

Q. Please explain how the financial forecast is developed.

A. The outputs from Gulf's budgeting process, comprising the eight component budgets, are formatted and tailored in a manner to facilitate their input into the financial model, along with various other income statement and balance sheet amounts. The financial model in turn generates the financial and accounting statements that comprise Gulf's financial forecast.

Q. What is the financial model to which you have referred?

A. The financial model is a proprietary computer-based model that simulates Gulf's actual financial and accounting results based on a given set of inputs. Schedule 2 is a summarized flowchart of the financial model inputs and outputs required in producing the financial forecast.

Q. Please describe the financial statements shown on Schedules 3 and 4.

A. Schedule 3 is Gulf's projected Balance Sheets for the periods ended May 2002 through May 2003, which are the basis for developing the rate base and capital structure. Schedule 4 is the projected Income Statements for the twelve months ended May 31, 2003, used in developing net operating income. These financial statements from the financial model are based on current budget estimates for 2002 and 2003.

Q. You have summarized utility plant data on your Schedule 3. Have you prepared a report with a further breakdown of the plant balances?

A. Yes. Schedule 5 presents a further breakdown of the utility plant balances along with the monthly activity in these accounts for the periods ended May 2002 through May 2003. The accounts shown include non-depreciable and depreciable property, plant held for future use, construction work in progress, and accumulated provision for depreciation. The projected plant data is based on the 2002 and 2003 Capital Additions Budgets, which are supported by various witnesses as noted on Mr. Saxon's Schedule 2.

Q. Have you prepared a schedule which shows the derivation of rate base?

A. Yes. Schedule 6, entitled "13-Month Average Rate Base for the Period Ended May 31, 2003," reflects Gulf's test year rate base. Column one includes the budget data previously presented on Schedules 3 and 5. The second column includes the regulatory adjustments required in order to restate the system or per books amounts to the proper basis for computing base rate revenue requirements. The third column includes the Unit Power Sales (UPS) adjustments, which I will address in more detail later in my testimony. The resulting net amounts have been jurisdictionalized in the cost of service study filed in this case by Mr. O'Sheasy as Schedules 1 through 5 of exhibit (MTO-1).

Q. Please explain the rate base regulatory adjustments in column 2 of Schedule 6.

A. These adjustments are listed on page 2 of the schedule. Adjustments 1 and 4 were made to remove the utility plant investment and accumulated depreciation which have been allocated to our Appliance Sales function. Since the last rate case, the amount of these adjustments has decreased significantly, which I will discuss later. Adjustments 2, 3, 5, and 6 were made to remove investments and related accumulated depreciation which are recovered through the Environmental and Energy Conservation Cost Recovery Clauses. Adjustments 7 and 8 were made to accumulated depreciation to reflect an increase in depreciation expense based on the

Company's new proposed depreciation rates and dismantlement accruals, which have been filed in Docket No. 010789-EI with the Commission on May 29, 2001, through the Company's 2001 Depreciation and Dismantling Study, and to reflect the revised estimate of the depreciable life for Smith Unit 3. These adjustments to reflect the new proposed depreciation rates and dismantlement accruals and the 20-year depreciable life of Smith Unit 3 are further discussed later in my testimony when I cover net operating income adjustments to depreciation expense. Adjustments 9 and 11 were made to remove the construction work in progress (CWIP) amounts for projects which are recovered through the Environmental and Energy Conservation Cost Recovery Clauses. Adjustment 10 is for the removal of the interest bearing CWIP included in the forecast. Since these projects are eligible for Allowance for Funds Used During Construction (AFUDC), they have been removed from rate base. Adjustment 12 represents working capital adjustments, which are included on Schedule 7.

Q. Please explain Schedule 7, entitled "13-Month Average Working Capital for the Period Ended May 31, 2003."

A. As shown on this schedule, all items on the balance sheet which are not included in Net Utility Plant or Capital Structure were considered in developing working capital. These remaining accounts were examined, and I have excluded the amounts related to the Appliance Sales function, Environmental Cost Recovery Clause, and accounts which earn or incur interest charges. The total of the amounts excluded is shown in column 2 on page 1 of Schedule 6 as adjustment 12. The adjustment to working capital in column 3 of Schedule 6 reflects the amounts allocated and directly assigned to UPS for fuel stock, materials and supplies, prepayments, and other working capital. The resulting total adjusted working capital, as shown in column 4, was then allocated to the retail and wholesale jurisdictions by Mr. O'Sheasy.

Q. Was an adjustment made to the rate base related to the third floor of the corporate office building?

A. No. The Company did not make an adjustment to remove the cost of the third floor of the corporate office building from rate base. In Gulf's last rate case, the Commission ordered the Company to remove investment of $3.8 million and depreciation reserve of $338,000 from the rate base related to the third floor. The Company believes that the third floor investment should be included as part of the rate base and should begin to be depreciated. This space is primarily used for records retention, spare office furniture, miscellaneous supplies, and other storage for the print shop, safety and health, and power delivery functions. It also contains a workshop for building maintenance. In February of 1999, after completing a tour of the third floor, an auditor with the FPSC concluded that over 90 percent of the square feet of space was being utilized. The Company currently utilizes 100 percent of the square feet of space. In addition to including the investment and accumulated depreciation related to the third floor in the test year rate base, we have also included in the calculation of net operating income the amortization of the accumulated balance of the deferred return on the third floor over a period of 3 years.

Gulf is currently operating under a revenue sharing plan resulting from a stipulation approved by Order No. PSC-99-2131-S-EI. Our treatment of the cost of the third floor described above is consistent with the provision included in Gulf's revenue sharing plan allowing Gulf the discretion to amortize up to $1 million per year to reduce the accumulated balance of the deferred return on the third floor.

Q. You have previously mentioned that the rate base was adjusted for amounts related to the Appliance Sales function. Please describe the reason for the significant decreases in these adjustments.

A. In July 2000, Gulf Power discontinued its Appliance Sales operation. On August 31, 2000, the Company sold $9.1 million of its merchandise accounts receivable to a third party and will continue to handle billing and collections for a monthly servicing fee. Therefore, the amount of investment now allocated to the Appliance Sales function is minimal and represents only the building space and office furniture and equipment utilized in the servicing of the merchandise loans. Also, the adjustment to working capital is minimal due to a small amount of merchandise receivables remaining on the Company's books.

Q. Before leaving the area of rate base, were there any other adjustments made to rate base in the 1990 rate case that you are not making in this case?

A. Yes. There were several adjustments made in the last rate case which are not necessary in this case because the items have either been fully amortized, sold, or removed from electric operations. The Commission adjustments not made are listed on MFR A-11. Also, no adjustments were made to working capital for the inventory levels of coal, natural gas, or light oil. As discussed by Mr. Moore in his testimony, the inventory levels for coal, natural gas, and light oil included in working capital represent optimum levels necessary to ensure against disruptions in supply.

Q. Now moving to Net Operating Income (NOI), please explain Schedule 8 entitled "Net Operating Income for the Twelve Months Ended May 31, 2003."

A. This schedule is formatted in the same manner as the rate base schedule. The first column is based on the June 2002 through May 2003 budget data from Schedule 4. The second column includes the regulatory adjustments, while the third column includes the UPS amounts. The jurisdictional factors and amounts were obtained from Mr. O'Sheasy's Schedule 1. The regulatory adjustments in column two are listed on pages 2 and 3 of Schedule 8, with more detailed calculations presented on separate schedules as noted under the heading of Schedule Reference. As mentioned earlier, I will discuss the UPS adjustments and calculations later in my testimony.

Q. Have you made the proper adjustments to remove all revenues and expenses related to the various cost recovery clauses from NOI?

A. Yes. As noted on pages 2 and 3 of Schedule 8, the fuel clause adjustments are 1, 6, and 7, the purchased power capacity clause adjustments are 4 and 8, the environmental clause adjustments are 5, 16, 18, and 25, and the energy conservation clause adjustments are 2, 10, 19, and 22. Since these revenues and expenses are recoverable through the retail cost recovery clauses, they must be removed from NOI when determining base rate revenue requirements. The calculation of these adjustments is summarized on Schedules 9 through 12.

Q. Please explain the franchise fee adjustments 3 and 23 on Schedule 8.

A. These adjustments are necessary to eliminate county and municipal franchise fee revenues and expenses from consideration in setting base rates. As required by Commission Order 6650 in Docket No. 74437-EU, franchise fees are added directly to the county or municipal customer's bill and are not considered in determining base rate revenue requirements.

Q. Please explain adjustment 9 related to marketing support and bulk power energy sales activities.

A. Expenses related to marketing support activities have been removed from NOI in accordance with the Commission's policy to disallow expenses that are promotional in nature as stated in Commission Order 6465 in Docket No. 9046-EU. Expenses related to bulk power energy sales activities were also removed from NOI in the calculation of retail revenue requirements since these expenses relate to the wholesale business.

Q. What does the adjustment for economic development represent?

A. Adjustment 12 related to economic development represents the removal of five percent of economic development expenses for the test year, which is consistent with FPSC Rule 25-6.0426 related to the recovery of economic development expenses. Section 288.035 of the Florida Statutes provides the FPSC with the authority to permit public utilities to recover reasonable economic development expenses. Ms. Neyman's testimony provides further discussion of the Company's economic development expenses.

Q. Please explain adjustment 14 related to purchased transmission.

A. FERC account 565 includes expenses incurred for the transmission of the Company's electricity over transmission facilities owned by others. These expenses are recovered through the Fuel Cost Recovery Clause and, therefore, were removed from the calculation of NOI.

Q. Was an adjustment made for industry association dues?

A. Yes. Industry association dues were treated in the same manner as economic development expenses. We have removed five percent of industry association dues related to chambers of commerce and other organizations that engage in economic development activities in accordance with FPSC Rule 25-6.0426 related to the recovery of economic development expenses. As mentioned previously, Section 288.035 of the Florida Statutes provides the FPSC with the authority to permit public utilities to recover reasonable economic development expenses. This state legislation defined an economic development organization as a "state, local, or regional public or private entity, which engages in economic development activities" and listed city and county economic development organizations and chambers of commerce as qualified organizations. The adjustment to remove five percent of these expenses from NOI is shown as adjustment 15 on Schedule 8, page 3 of 3. Schedule 13 presents a listing by association of the dues included in the NOI calculation and shows the calculation of adjustment 15.

Q. Were any adjustments made for advertising?

A. Yes. Advertising expenses related to the Energy Conservation Cost Recovery Clause were removed as part of adjustment 10 on Schedule 8. All other advertising expenses are appropriate for recovery and are supported by Ms. Neyman in her testimony.

Q. Please explain the adjustments made related to depreciation.

A. Adjustments 17 and 20 were made to reflect the Company's new proposed depreciation rates and dismantlement accruals, which have been filed in Docket No. 010789-EI with the Commission on May 29, 2001, through the Company's 2001 Depreciation and Dismantling Study. Gulf Power has requested for the proposed rates to be effective January 2002. Therefore, the changes in depreciation expense on plant-in-service investment balances for the test year were included as adjustments to NOI. Adjustment 17 represents the change in depreciation of transportation equipment, which is charged to a clearing account and then allocated to the appropriate O & M accounts, and adjustment 20 represents the change in depreciation expense and dismantlement accruals for other plant-in-service investment balances.

The depreciation study filed by Gulf with the FPSC on May 29, 2001, was based on December 31, 2001, projected investment and, therefore, did not include Smith Unit 3, which is expected to go in service in the Spring of 2002. The forecasted depreciation expense for Smith Unit 3, included as part of Schedule 4 of my exhibit, was calculated assuming a depreciable life for Smith Unit 3 of 30 years. Since the financial forecast was developed, Gulf requested an opinion from Deloitte & Touche, the firm that performed the Company's depreciation study, on the appropriate depreciable life for Smith Unit 3. The firm reviewed the manufacturers' information and capital forecast for Smith Unit 3. In addition, the firm reviewed responses made by Florida Power & Light to FPSC data requests concerning its combined cycle units. Based on its review, Deloitte & Touche recommended an average service life of 20 years. The memo from Deloitte & Touche containing its recommendation is attached as Schedule 14 of my exhibit. The estimated 20-year depreciable life for Smith Unit 3 is also consistent with depreciable lives approved by the FPSC for other combined cycle generating units operating in Florida. Therefore, adjustment 21 was made to NOI to reflect an estimated depreciable life for Smith Unit 3 of 20 years, which is consistent with the Deloitte & Touche recommendation and the treatment of other combined cycle units in Florida.

Q. Please explain adjustments 26 and 27 to taxes other than income taxes.

A. Adjustment 26 on Schedule 8 is required to reflect the gross receipts taxes and FPSC assessment fees that are associated with clause revenues and franchise fee revenues, which were removed in adjustments 1 through 5. Schedule 15 shows the calculation of this adjustment. Adjustment 27 represents the addition of property taxes related to Smith Unit 3 to reflect twelve months of property taxes in the test year. The calculation of Smith Unit 3 property taxes is discussed in Mr. McMillan's testimony.

Q. Please explain adjustment 28 on Schedule 8 to income taxes.

A. This adjustment is required to reflect the federal and state income taxes related to adjustments 1 through 27. Schedule 16 shows the calculation of this adjustment.

Q. Have you calculated the appropriate adjustment to income taxes to reflect the synchronized interest expense related to the jurisdictional adjusted rate base?

A. Yes. Adjustment 29 on Schedule 8 reflects the tax effect of synchronizing interest expense to rate base, and Schedule 17 shows the calculation of this adjustment. The jurisdictional capitalization amounts and cost rates were taken directly from Schedule 18, and total company interest expense was taken from Schedule 4.

Q. Do you have anything further to add to your discussion of how NOI was developed?
A. Yes. In addition to the adjustments made above, adjustments 11, 13, and 24 on Schedule 8 were made to NOI consistent with the Commission's direction in the last rate case to exclude management tax preparation services and lobbying expenses. Also, I would like to point out that O & M expenses included in the calculation of NOI are justified and supported by several witnesses in this case as noted on Mr. Saxon's Schedule 3.

Q. Have you also developed the jurisdictional capital structure and cost of capital for the June 2002 through May 2003 test year?
A. Yes. Schedule 18, page 1, shows the jurisdictional 13-month average amounts of each class of capital for the year ended May 31, 2003. It also shows the average cost rates and weighted cost components for each class of capital. Page 2 of this schedule shows how the jurisdictional capital structure was derived starting with the system amounts. Pages 3 and 4 show the calculation of the cost rates for long-term debt and preferred stock.

Q. How were the cost rates for short-term debt, customer deposits, and investment tax credits determined?
A. The short-term debt cost rate of 6.02 percent was based on an April 2001 forecast of interest rates, which was developed by Southern Company Services utilizing forecast data obtained from Regional Financial Associates, now known as Economy.com, Inc. The customer deposit cost

rate of 5.98 percent was based on the effective rate for the twelve months ended May 31, 2003. The weighted cost for investment tax credits of 9.70 percent was calculated in accordance with current IRS regulations using the three main sources of capital.

Q. Please explain how the jurisdictional capital structure was developed.

A. As shown on page 2 of Schedule 18, I started with the 13-month average total company capital structure by class of capital. These total company amounts were calculated based on the projected balances on Schedule 3 of my exhibit. In columns 2 through 6, I have identified 5 adjustments which were removed from specific classes of capital, and the remaining adjustments required to reconcile the rate base and capital structure were made on a prorata basis as shown in column 9.

Q. Please explain the 5 items for which you have made adjustments to specific classes of capital.

A. The first item, shown in column 2, reflects the transfer of preferred stock issuance expense previously charged to retained earnings. The next two items, "common dividends declared" and "unamortized debt premiums, discounts, issuing expenses and losses on reacquired debt," are account specific and have been directly assigned to the common stock and long-term debt classes of capital, respectively. The fourth item, shown in column 5, is the removal of non-utility amounts from the common stock class of capital. The last item, shown in column 6, is the removal of the UPS capital structure amounts. The UPS capital structure adjustments are based on the debt, preferred stock, deferred taxes, and common equity that is recovered from UPS customers in the UPS contracts.

Q. Does this conclude your discussion of how you developed the requested cost of capital?

A. Yes. These calculations result in a cost of capital of 8.64 percent based on a requested return on equity of 13.00 percent, which is supported in the testimony of Mr. Benore.

Q. Have you calculated the jurisdictional revenue deficiency for the test period brought about by the difference in Gulf's achieved jurisdictional rate of return of 5.12 percent and the proposed rate of return of 8.64 percent?

A. Yes. The revenue deficiency is $69,867,000, as calculated on Schedule 19, which references the schedule where each figure was derived. Schedule 20 shows the calculation of the NOI multiplier.

Q. You have previously mentioned that you are supporting the UPS calculations that have been used in developing rate base, NOI, and capital structure in this filing. Would you explain how these amounts were calculated?

A. The UPS amounts, which have been identified on Schedules 6, 8, and 18, were computed in exactly the same manner as the amounts allowed in our 1990 rate case. The rate base and NOI adjustments reflect the removal of all amounts related to Plant Scherer. The general plant investment and administrative and general expenses were allocated to

Plant Scherer Unit 3 based on salaries and wages, and then allocated to UPS based on the UPS sales ratio (100 percent) in accordance with the UPS contracts.

Q. Please summarize your testimony.

A. Gulf Power is committed to meeting the needs of our customers and investors and strives to maintain low rates, high quality service, and excellent customer satisfaction ratings. Despite Gulf's continued efforts to control costs and keep expenses low to avoid the need for rate relief, there has been an increase in the cost of providing electric service since the Company's last base rate increase in 1990. The most significant factor contributing to the increase in cost is the construction of Smith Unit 3, which was the least cost alternative available to enable Gulf to continue to meet increasing load requirements and provide reliable service. The annual revenue requirement for Smith Unit 3 is approximately $48 million. In addition to the revenue requirement for Smith Unit 3, approximately $22 million of rate relief is necessary to cover increases in O & M expenses and capital additions primarily related to the production, transmission and distribution functions, which cannot be offset by revenue growth. These increases in costs are necessary to enable the Company to maintain reliability and keep up with the growing service expectations of our customers. The Company's customers today are requiring a higher level of reliability with respect to blinking lights and momentary outages due to an increase in the use of computerized equipment. Mr. Moore, Mr. Howell, and Mr. Fisher will discuss reasons for the increases in O & M and capital additions related to these functions and the specific programs that the Company is implementing to ensure that we continue to provide dependable and reliable service to our customers. Factors contributing to the increase in the cost of providing electric service are the 32 percent increase in customers, inflation of approximately 39 percent, and the construction of new infrastructure.

Under present retail rates, the projected return on average common equity for the test year is 4.43 percent, which is significantly below the 13.00 percent determined by Mr. Benore to be appropriate for Gulf Power. Such a low return would leave the Company in a weak financial position. In order for Gulf to attract capital on reasonable terms, maintain a sufficient level of financial integrity, and continue to meet the needs of our customers, the Company must maintain a strong financial position. Therefore, based on the revenue deficiency calculated for the test period, Gulf is requesting an annual increase of $69.9 million in our retail revenues.

Q. Does this conclude your testimony?
A. Yes.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 010949-EI

Before the undersigned authority, personally appeared Ronnie R. Labrato, who being first duly sworn, deposes, and says that he is the Vice President, Chief Financial Officer and Comptroller of Gulf Power Company, a Maine corporation, and that the foregoing is true and correct to the best of his knowledge, information, and belief.

Ronnie R. Labrato

Ronnie R. Labrato
Vice President, Chief Financial Officer
and Comptroller

Sworn to and subscribed before me by Ronnie R. Labrato who is personally known to me this 7th day of September, 2001.

Jackie L. Whipple

Notary Public, State of Florida at Large

Jackie L Whipple
My Commission DD041506
Expires August 23, 2005

Florida Public Service Commission
Docket No. 010949-EI
GULF POWER COMPANY
Witness: R. R. Labrato
Exhibit No. ____ (RRL-1)

Gulf Power Company
2001 Residential Rate Comparison

Company Number	July 2001 Residential Rate for 1,000 kWh	Rank
1	$178.37	54
2	$148.25	53
3	$133.60	52
4	$126.57	51
5	$125.03	50
6	$115.24	49
7	$114.05	48
8	$112.32	47
9	$110.42	46
10	$108.56	45
11	$104.69	44
12	$103.90	43
13	$103.09	42
14	$101.80	41
15	$101.71	40
16	$101.22	39
17	$98.56	38
18	$96.89	37
19	$96.88	36
20	$96.78	35
21	$95.31	34
22	$93.62	33
23	$92.70	32
24	$92.53	31
25	$91.83	30
26	$91.09	29
27	$90.60	28
28	$90.08	27
29	$89.68	26
30	$89.10	25
31	$88.20	24
32	$87.52	23
33	$87.22	22
34	$85.85	21
35	$85.00	20
36	$81.35	19
37	$81.25	18
38	$79.54	17
39	$79.53	16
40	$79.50	15
41	$76.61	14
42	$71.45	13
43	$70.93	12
44	$70.77	11
45	$70.43	10
46	$68.15	9
47	$67.77	8
48	$67.07	7
49	$65.49	6
50	**$65.40**	**5**
51	$63.92	4
52	$60.25	3
53	$56.86	2
54	$47.30	1

Gulf Power Company Proposed Rate $77.50

Gulf Power Company Present Rate

Source: Data obtained from survey prepared by JEA, Jacksonville, FL.
Rates include base rate (including non-fuel cost recovery clauses), fuel adjustment charges, and average franchise fees.

Florida Public Service Commission
Docket No. 010949-EI
GULF POWER COMPANY
Witness: R. R. Labrato
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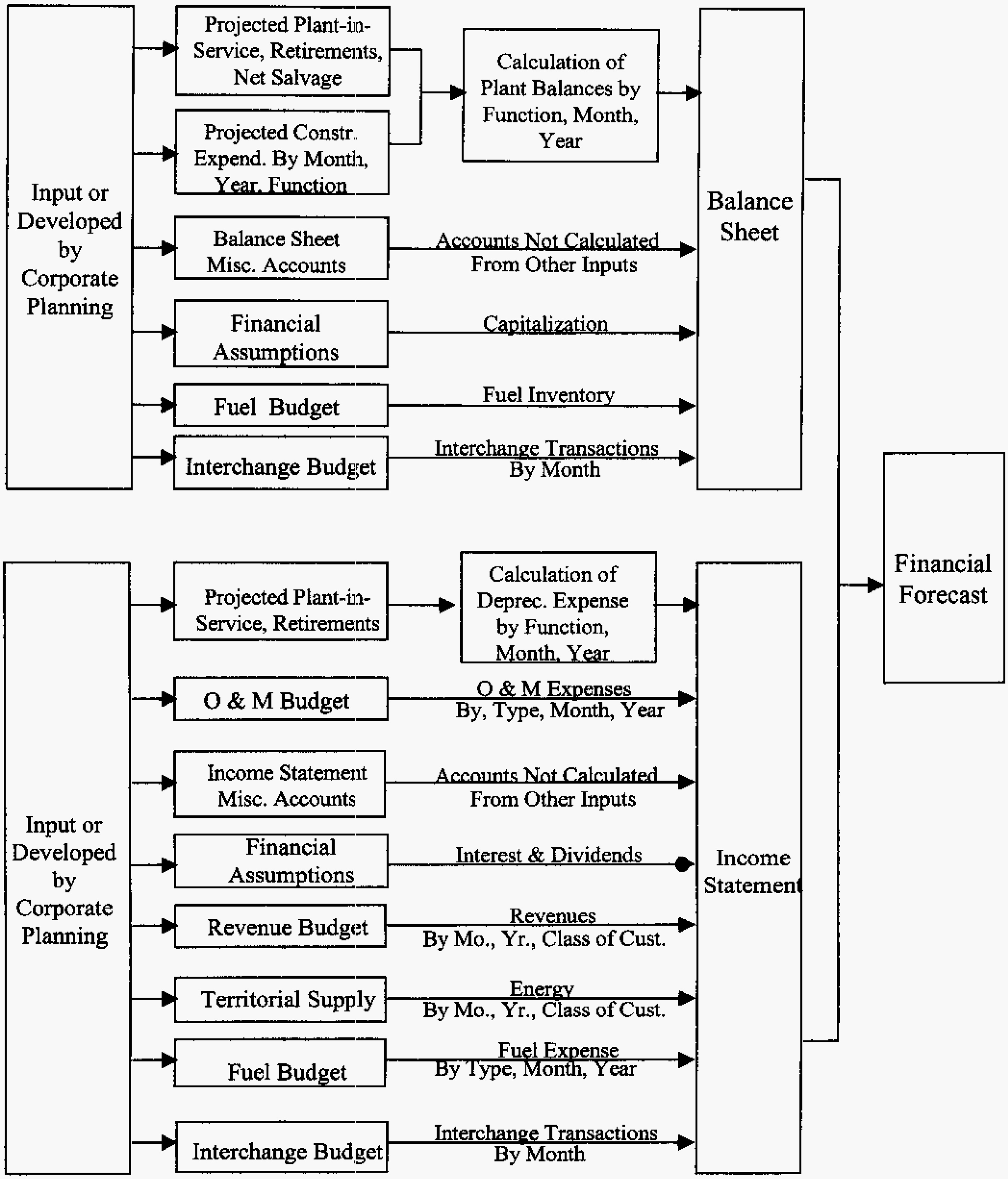
Gulf Power Financial Model Flowchart



GULF POWER COMPANY
BALANCE SHEETS
For the Periods Ended May 2002 through May 2003
(Thousands of Dollars)

	2002 MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2003 JAN	FEB	MAR	APR	MAY
ASSETS:													
Utility Plant													
Electric Plant in Service	2,289,807	2,296,964	2,300,138	2,303,853	2,308,455	2,313,153	2,317,809	2,315,373	2,318,789	2,322,726	2,327,907	2,332,342	2,336,359
Accum Prov & Amort	941,442	946,760	952,535	958,137	964,401	970,751	977,091	973,090	979,459	985,785	991,878	998,026	1,003,819
Net Elec & Plant in Service	1,348,365	1,349,204	1,347,603	1,345,716	1,344,054	1,342,402	1,340,718	1,342,283	1,339,330	1,336,941	1,336,029	1,334,316	1,332,540
Other Property & Investments													
Other Special Funds	7,364	7,364	7,364	7,364	7,364	7,364	7,364	9,315	9,315	9,315	9,315	9,315	9,315
Non-Utility Property-Net	454	454	454	454	454	454	454	454	454	454	454	454	454
Other Property & Investments	787	790	794	797	801	804	807	811	814	818	821	825	828
Total Other Property & Invest	8,606	8,609	8,612	8,615	8,619	8,622	8,626	10,580	10,583	10,587	10,590	10,594	10,597
Current Assets													
Cash & Cash Equivalents	3,979	3,979	3,979	3,979	3,979	3,979	3,979	3,979	3,979	3,979	3,979	3,979	3,979
Special Deposits	5	5	5	5	5	5	5	5	5	5	5	5	5
Working Funds	272	272	272	272	272	272	272	272	272	272	272	272	272
Temporary Cash Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts & Notes Receivable:													
Customer Accounts Receivable	25,996	36,307	41,581	42,309	37,868	30,136	29,707	31,160	39,759	36,983	28,798	26,818	28,407
Accrued Unbilled Revenues	26,967	30,473	31,864	32,859	27,756	23,939	23,217	26,232	25,297	21,277	22,379	22,659	29,506
Other Accts\Notes Receivable	12,434	12,524	15,121	14,836	14,959	15,081	15,203	15,325	17,999	17,761	17,935	18,109	18,283
Accum Prov for Uncoll Accts	1,075	1,171	1,333	1,326	839	777	859	946	1,191	1,108	868	808	851
Receivables from Assoc Companies	4,093	10,376	17,334	14,609	11,685	11,520	8,751	4,070	5,782	8,348	4,404	5,084	6,654
Interest & Dividends Receivable	160	192	224	256	288	320	352	-	40	80	120	160	200
Materials & Supplies:													
Fuel Stock	31,174	32,303	32,050	31,750	30,321	30,439	31,388	31,778	32,364	32,643	32,608	33,173	33,004
In-Transit Coal	14,215	13,025	12,959	13,219	11,952	12,825	10,364	10,414	14,649	15,142	13,161	14,584	14,176
Plt Materials & Supplies	29,296	29,366	29,436	29,505	29,574	29,643	29,712	29,781	29,771	29,761	29,751	29,741	29,731
Merchandise	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	34,315	34,859	35,617	36,215	36,908	37,518	39,073	39,942	40,725	42,880	44,337	45,158	45,911
Accrued Vacations	4,647	4,647	4,647	4,647	4,647	4,647	4,647	4,787	4,787	4,787	4,787	4,787	4,787
Other Miscellaneous Current & Accrued	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	186,478	207,156	223,757	223,136	209,376	199,547	195,811	196,799	214,237	212,810	201,667	203,720	214,063
Deferred Debits													
Unamortized Debt Expense	2,174	2,161	2,148	2,135	2,122	2,110	2,098	2,086	2,073	2,060	2,047	2,034	2,021
Accum Deferred Income Tax	54,395	54,375	54,355	54,335	54,315	54,295	54,275	54,258	54,236	54,215	54,195	54,176	54,158
Regulatory Tax Asset	17,976	18,155	18,334	18,513	18,692	18,871	19,050	19,229	19,136	19,043	18,950	18,857	18,764
Unamortized Loss Reacq Debt	13,832	13,720	13,608	13,496	13,384	13,272	13,160	13,049	12,937	12,825	12,713	12,601	12,495
Other Deferred Debits	12,924	12,835	12,388	12,201	12,014	12,012	11,825	11,317	11,636	11,450	11,263	11,260	11,074
Total Deferred Debits	101,301	101,246	100,833	100,680	100,526	100,560	100,409	99,939	100,018	99,593	99,166	98,929	98,512
Total Assets	1,644,749	1,666,216	1,680,805	1,678,147	1,662,575	1,651,131	1,645,563	1,649,601	1,664,168	1,659,931	1,647,455	1,647,659	1,655,712

Note: Totals may not add due to rounding.

Florida Public Service Commission
Docket No. 010949-EI
GULF POWER COMPANY
Witness: R. R. Labrato
Exhibit No. ___ (RRL-1)
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GULF POWER COMPANY
BALANCE SHEETS
For the Periods Ended May 2002 through May 2003
(Thousands of Dollars)

	2002 MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2003 JAN	FEB	MAR	APR	MAY
CAPITALIZATION & LIABILITIES:													
Common Equity													
Common Stock	38,060	38,060	38,060	38,060	38,060	38,060	38,060	38,060	38,060	38,060	38,060	38,060	38,060
Other Paid-In Capital	373,977	373,977	373,977	373,977	373,977	373,977	373,977	382,553	382,553	394,553	394,553	394,553	394,553
Premium on Preferred	12	12	12	12	12	12	12	12	12	12	12	12	12
Retained Earnings	135,660	141,717	132,871	141,028	145,665	130,697	130,048	131,763	135,121	117,674	116,946	97,846	100,317
Total Common Equity	547,709	553,766	544,920	553,077	557,714	542,746	542,097	552,388	555,746	550,299	549,571	530,471	532,942
Preferred Stock													
Preferred Stock	4,236	4,236	4,236	4,236	4,236	4,236	4,236	4,236	4,236	4,236	4,236	4,236	4,236
Trust Preferred Stock	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000
Total Preferred Stock	119,236	119,236	119,236	119,236	119,236	119,236	119,236	119,236	119,236	119,236	119,236	119,236	119,236
Debt													
Long-Term Bonds	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Pollution Control Bonds	169,630	169,630	169,630	169,630	169,630	169,630	169,630	169,630	169,630	169,630	169,630	169,630	169,630
Long-Term Notes	280,002	280,002	280,002	280,002	280,002	280,002	280,002	280,002	280,002	280,002	280,002	280,002	280,002
Unamortized Premiums & Disc	(6,226)	(6,198)	(6,170)	(6,141)	(6,112)	(6,083)	(6,054)	(6,025)	(5,997)	(5,969)	(5,941)	(5,913)	(5,885)
Total Debt	528,406	528,434	528,462	528,491	528,520	528,549	528,578	528,607	528,635	528,663	528,691	528,719	528,747
Total Capitalization	1,195,351	1,201,436	1,192,618	1,200,804	1,205,470	1,190,531	1,189,911	1,200,231	1,203,617	1,198,198	1,197,498	1,178,426	1,180,925
Current Liabilities													
Short-Term Notes Payable	4,750	25,065	28,352	6,640	14,463	5,404	13,223	27,218	35,229	13,448	21,168	25,587	29,479
Accounts Payable:													
Construction Related Accts Payable	2,566	1,781	1,228	1,146	1,213	1,201	1,209	3,971	899	1,029	1,379	1,197	1,177
Other Accounts Payable	26,446	37,783	41,599	42,822	31,522	28,528	25,985	24,245	29,225	31,392	28,936	30,861	29,665
Payables to Assoc. Companies	7,596	7,113	6,926	7,022	7,037	7,087	7,315	7,144	7,789	7,588	6,947	6,979	7,741
Total Accounts Payable	36,608	46,677	49,753	50,990	39,772	36,816	34,509	35,360	37,913	40,009	37,262	39,037	38,583
Customer Deposits	13,817	13,843	13,869	13,895	13,921	13,946	13,971	14,003	14,024	14,046	14,066	14,087	14,108
Income Tax Accrued	991	900	5,370	10,957	9,970	9,330	9,383	3,252	5,356	5,646	5,340	218	(1,457)
Other Taxes Accrued	10,017	12,261	13,915	15,919	17,118	18,091	6,042	7,263	4,824	6,308	7,926	9,337	11,461
Interest Accrued	11,775	10,545	8,836	10,874	10,283	9,758	11,421	11,008	9,295	11,327	10,723	10,226	11,886
Miscellaneous Accounts Payable	16,054	54	16,054	16,054	54	16,054	16,054	54	54	17,479	54	17,479	17,479
Accrued Vacations	4,647	4,647	4,647	4,647	4,647	4,647	4,647	4,787	4,787	4,787	4,787	4,787	4,787
Tax Collections Payable	1,234	1,496	1,549	1,668	1,332	1,095	1,046	1,225	1,331	1,109	1,170	1,048	1,311
Other Current Liabilities	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459
Total Current Liabilities	101,352	116,947	143,804	133,103	113,019	116,600	111,755	105,629	114,272	115,617	103,955	123,265	129,096

Note: Totals may not add due to rounding.

Florida Public Service Commission
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GULF POWER COMPANY
Witness: R. R. Labrato
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GULF POWER COMPANY
BALANCE SHEETS
For the Periods Ended May 2002 through May 2003
(Thousands of Dollars)

	2002 MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	2003 JAN	FEB	MAR	APR	MAY
Deferred Credits													
Unamortized ITC	23,072	22,912	22,752	22,592	22,433	22,274	22,115	21,953	21,793	21,633	21,473	21,313	21,153
Other Deferred Credits	30,734	30,669	33,227	33,258	33,276	33,362	33,433	33,454	36,244	36,332	36,469	36,584	36,656
Total Deferred Credits	**53,806**	**53,582**	**55,980**	**55,850**	**55,709**	**55,637**	**55,548**	**55,406**	**58,036**	**57,964**	**57,941**	**57,897**	**57,809**
Operating Reserves													
Property Insurance Reserve	13,312	13,576	13,841	14,106	14,370	14,635	14,900	15,164	15,429	15,694	15,958	16,223	16,488
Injuries & Damages Reserve	945	944	943	942	941	940	939	938	937	936	935	934	933
Accum Prov for Rate Refunds	5,807	5,833	-	-	-	-	-	-	-	-	-	-	-
Empl Pension & Insurance Reserve	33,347	33,581	33,816	34,050	34,284	34,518	34,752	34,986	35,206	35,426	35,645	35,865	36,085
Total Operating Reserves	**53,411**	**53,935**	**48,600**	**49,098**	**49,596**	**50,093**	**50,591**	**51,089**	**51,572**	**52,056**	**52,539**	**53,022**	**53,506**
Deferred Tax Related Items													
ADIT Accts 281, 282, 283	207,727	207,514	207,301	207,088	206,875	206,663	206,449	206,236	205,949	205,664	205,379	205,096	204,813
Regulatory Tax Liability	33,103	32,804	32,504	32,205	31,906	31,607	31,308	31,009	30,719	30,430	30,141	29,852	29,563
Total Deferred Taxes	**240,829**	**240,317**	**239,805**	**239,293**	**238,781**	**238,270**	**237,757**	**237,244**	**236,669**	**236,094**	**235,520**	**234,948**	**234,376**
Total Capital & Liabilities	**1,644,750**	**1,666,217**	**1,680,808**	**1,678,149**	**1,662,576**	**1,651,131**	**1,645,563**	**1,649,600**	**1,664,167**	**1,659,930**	**1,647,454**	**1,647,558**	**1,655,711**

Note: Totals may not add due to rounding.

GULF POWER COMPANY
INCOME STATEMENTS
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

	2002 JUN	JUL	AUG	SEP	OCT	NOV	DEC	2003 JAN	FEB	MAR	APR	MAY	TOTAL 12 MONTHS ENDED MAY 2003
OPERATING REVENUES:													
Residential													
Base	20,308	21,049	21,664	17,367	13,186	12,158	16,631	18,650	13,697	14,676	11,766	15,395	196,535
Fuel	10,983	11,241	12,833	8,680	6,300	6,184	8,274	9,839	7,299	7,714	5,935	7,910	103,192
Conservation	195	204	211	201	182	214	227	192	171	176	155	200	2,328
Capacity	40	295	553	168	137	75	137	684	186	202	23	110	2,630
Environmental	426	438	467	473	426	431	429	420	722	415	432	437	5,516
Total Residential Revenues	31,950	33,227	35,728	26,889	20,231	19,062	25,696	29,786	22,075	23,183	18,311	24,052	310,201
Commercial													
Base	9,615	9,707	9,801	9,223	8,287	7,719	8,116	7,739	7,293	8,241	8,388	9,987	104,114
Fuel	7,052	6,967	7,866	6,254	5,307	5,130	5,004	4,874	4,716	5,535	5,685	7,001	71,392
Conservation	125	126	128	145	153	178	137	94	111	126	149	177	1,649
Capacity	20	149	277	94	69	38	69	342	93	101	12	56	1,319
Environmental	247	252	274	276	247	249	249	244	440	241	250	251	3,220
Total Commercial Revenues	17,059	17,201	18,345	15,992	14,063	13,314	13,575	13,293	12,656	14,244	14,484	17,471	181,694
Industrial													
Base	3,586	3,934	4,015	3,623	3,315	3,238	3,203	3,142	3,182	3,019	3,139	3,701	41,097
Fuel	3,961	4,100	4,787	3,732	3,644	3,791	3,730	3,864	3,761	3,652	3,600	4,237	46,859
Conservation	70	74	79	86	105	132	102	75	88	84	94	107	1,096
Capacity	12	90	166	57	41	23	41	206	56	61	7	33	793
Environmental	163	165	182	182	161	163	164	160	298	159	164	166	2,127
Total Industrial Revenues	7,792	8,363	9,229	7,680	7,266	7,347	7,240	7,447	7,385	6,975	7,004	8,244	91,972
Street Lighting													
Base	166	166	166	166	166	167	167	167	167	168	168	168	2,002
Fuel	38	37	42	36	36	38	36	38	40	40	39	38	458
Conservation	1	1	1	1	1	1	1	1	1	1	1	1	12
Capacity	-	-	2	-	-	-	-	2	-	-	-	-	4
Environmental	5	5	5	5	5	5	5	5	11	5	5	5	66
Total Street Lighting Revenues	210	209	216	208	208	211	209	213	219	214	213	212	2,542
Interdepartmental Sales	0	0	0	0	0	0	0	-	-	-	-	-	2
Additional Gross Receipts Tax	543	585	635	567	463	413	444	525	471	442	403	438	5,929
Residential Conservation AEM	21	22	23	25	26	27	28	29	30	31	32	34	329
Tot Base Revenues (incl Gross Recpts)	34,215	35,440	36,281	30,936	25,418	23,695	28,560	30,223	24,811	26,545	23,863	29,690	349,677
Tot Fuel Revenues	22,034	22,345	25,527	18,702	15,287	15,143	17,044	18,615	15,816	16,941	15,259	19,186	221,901
Total Conservation (incl AEM)	412	427	442	458	467	552	495	391	401	418	431	519	5,414
Total Capacity	72	534	998	339	247	136	247	1,234	335	364	42	198	4,746
Total Environmental	841	860	928	936	839	848	847	829	1,471	820	851	859	10,929
Total Interdepartmental Sales	0	0	0	0	0	0	0	-	-	-	-	-	2
Total Retail Revenues	57,575	59,807	64,177	51,371	42,258	40,374	47,193	51,292	42,836	45,088	40,446	50,452	592,668

Note: Totals may not add due to rounding.

Florida Public Service Commission
Docket No. 010949-EI
GULF POWER COMPANY
Witness: R. R. Labrato
Exhibit No. ____ (RRL-1)
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GULF POWER COMPANY
INCOME STATEMENTS
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

	2002 JUN	JUL	AUG	SEP	OCT	NOV	DEC	2003 JAN	FEB	MAR	APR	MAY	TOTAL 12 MONTHS ENDED MAY 2003
Sales for Resale - Territorial													
Muni & Rea Revenues	165	174	179	156	135	118	132	147	128	125	131	155	1,747
FPU Revenues	1,062	1,130	1,112	981	849	823	955	1,065	920	826	810	980	11,514
Total Sales For Resale - Territorial	1,227	1,304	1,292	1,138	984	942	1,087	1,212	1,048	951	941	1,135	13,261
Total Territorial Revenues	58,802	60,911	65,469	52,509	43,241	41,316	48,280	52,504	43,885	46,039	41,388	51,586	605,929
Non-Territorial Sales													
Total Assoc. Co. Revenues	6,998	13,836	11,644	8,674	8,545	6,371	2,576	5,284	5,942	2,506	4,399	4,282	81,056
Total Non-Assoc Co. Revenues	4,526	5,302	5,191	4,132	3,900	3,462	3,225	3,289	3,681	3,874	2,233	3,672	46,487
Total Non-Territorial Revenues	11,524	19,137	16,835	12,806	12,445	9,833	5,801	8,573	9,623	6,380	6,632	7,954	127,543
Other Operating Revenue	3,043	2,994	3,202	2,783	2,476	2,434	2,673	2,866	2,585	2,676	2,451	2,835	33,019
Total Electric Revenues	73,369	83,042	85,506	68,098	58,162	53,582	56,755	63,943	56,092	55,095	50,471	62,376	766,491
ELECTRIC O&M:													
Steam Power Generation Fuel Cost													
Coal	19,178	20,317	20,714	19,276	18,397	16,445	16,309	18,133	15,256	12,988	11,235	17,576	205,824
Gas	2,625	4,055	4,158	367	99	62	64	65	61	61	237	146	12,000
Oil	51	51	51	51	51	51	45	52	51	44	53	53	604
Total Steam Fuel Cost	21,854	24,423	24,923	19,694	18,547	16,558	16,418	18,250	15,368	13,093	11,525	17,775	218,428
Fuel Handling	324	365	329	329	341	395	360	327	336	341	343	395	4,185
Steam O&M	5,969	5,504	4,854	5,396	5,684	6,666	6,912	5,526	6,894	7,633	7,443	6,386	74,867
Total Steam Power Generation	28,147	30,292	30,106	25,419	24,572	23,619	23,690	24,103	22,598	21,067	19,311	24,556	297,480
Other Power Generation													
Fuel Cost: Gas & Oil	8,372	12,220	13,207	8,706	6,265	5,352	3,443	5,576	7,143	6,819	7,214	6,073	90,390
Other Pwr Generation Fuel Cost	8,372	12,220	13,207	8,706	6,265	5,352	3,443	5,576	7,143	6,819	7,214	6,073	90,390
Other Power Gen O&M	317	261	264	321	266	330	322	338	338	399	340	409	3,905
Total Other Power Generation	8,689	12,481	13,471	9,027	6,531	5,682	3,765	5,914	7,481	7,218	7,554	6,482	94,295
Purchased Power													
Total So. Pool Purchases	383	1,039	1,464	360	166	324	975	1,976	462	1,165	738	492	9,544
Non Associated Purchases	670	1,355	1,191	496	462	551	370	472	524	631	546	841	8,109
Total Purchased Power	1,053	2,394	2,655	856	628	875	1,345	2,448	986	1,796	1,284	1,333	17,653
Other Power Supply Expense	188	250	193	190	197	198	180	206	206	206	206	206	2,426
Total Other Power Supply Expenses	188	250	193	190	197	198	180	206	206	206	206	206	2,426
Total Power Production Expense	38,077	45,417	46,425	35,492	31,928	30,374	28,980	32,671	31,271	30,287	28,355	32,577	411,854
Total Prod Non-Fuel O&M	6,798	6,380	5,640	6,236	6,488	7,589	7,774	6,397	7,774	8,579	8,332	7,396	85,383

Note: Totals may not add due to rounding.

Florida Public Service Commission
Docket No. 010949-EI
GULF POWER COMPANY
Witness: R. R. Labrato
Exhibit No. ___ (RRL-1)
Schedule 4
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GULF POWER COMPANY
INCOME STATEMENTS
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

	2002 JUN	JUL	AUG	SEP	OCT	NOV	DEC	2003 JAN	FEB	MAR	APR	MAY	TOTAL 12 MONTHS ENDED MAY 2003
Transmission O&M	744	762	703	688	627	616	623	662	644	634	697	669	8,069
Distribution O&M	2,891	2,900	2,722	2,755	2,743	2,722	2,740	2,867	2,857	2,835	2,843	2,924	33,799
Cust Accts, Serv, and Sales	2,702	2,751	2,688	2,732	2,767	2,824	2,878	2,522	2,344	2,560	2,472	2,636	31,876
Admin & General Expense	3,427	3,567	3,563	3,396	3,459	3,400	3,587	3,492	3,393	3,713	3,558	3,623	42,178
Total Non-Production O&M	**9,764**	**9,980**	**9,676**	**9,571**	**9,596**	**9,562**	**9,828**	**9,543**	**9,238**	**9,742**	**9,570**	**9,872**	**115,942**
Total Non-Fuel O&M	**16,562**	**16,360**	**15,316**	**16,807**	**16,064**	**17,151**	**17,602**	**15,940**	**17,012**	**18,321**	**17,902**	**17,268**	**201,325**
Total O&M	**47,841**	**55,397**	**56,101**	**46,063**	**41,524**	**39,936**	**38,806**	**42,214**	**40,509**	**40,029**	**37,925**	**42,449**	**527,796**
Depreciation Expense	6,372	6,392	6,400	6,413	6,431	6,441	6,490	6,539	6,546	6,556	6,564	6,576	77,720
Amort ITC	(153)	(153)	(153)	(153)	(153)	(153)	(149)	(153)	(153)	(153)	(153)	(153)	(1,831)
Amort of Property	388	388	388	388	388	388	388	360	360	360	360	360	4,517
Electric Income Taxes	3,650	4,371	4,966	2,755	524	(564)	913	2,031	(127)	(496)	(1,128)	1,462	18,358
Taxes Other	5,239	5,411	5,668	5,053	4,424	4,248	4,611	5,394	4,880	5,340	4,421	5,056	59,746
Total Depr, Amort & Taxes	15,495	16,408	17,269	14,456	11,614	10,360	12,253	14,172	11,507	11,606	10,065	13,302	158,510
Total Utility Operating Income	**10,033**	**11,236**	**12,136**	**8,579**	**5,024**	**3,287**	**5,694**	**7,658**	**4,076**	**3,458**	**2,481**	**6,624**	**80,185**
Other Income & Deductions													
AFUDC - Equity	61	63	66	68	71	74	78	-	-	-	-	-	481
Earnings on Temporary Cash	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	(6)	(7)	(6)	(6)	(5)	(11)	1	3	3	2	2	(4)	(36)
Other Income Deductions	171	174	174	175	177	180	185	168	165	353	172	217	2,311
Amort of ITC	(7)	(7)	(7)	(6)	(6)	(6)	(14)	(7)	(7)	(7)	(7)	(7)	(89)
Taxes Other Than Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	(50)	(50)	(50)	(50)	(51)	(55)	(51)	(44)	(43)	(116)	(47)	(66)	(673)
Total Other Income	(61)	(61)	(57)	(57)	(54)	(56)	(41)	(114)	(112)	(228)	(116)	(148)	(1,104)
Income Before Interest	**9,972**	**11,175**	**12,079**	**8,522**	**4,970**	**3,231**	**5,653**	**7,444**	**3,965**	**3,230**	**2,365**	**6,477**	**79,082**
Interest Charges													
Interest on Long-Term Debt	2,898	2,913	2,913	2,913	2,916	2,916	2,916	2,916	2,916	2,916	2,916	2,916	34,965
Interest on Short-Term Debt	69	134	89	53	51	48	108	165	120	91	119	145	1,192
Amort DD&P Gains/Losses	153	153	154	154	153	153	152	153	153	153	153	147	1,831
Trust Preferred Dividend Expense	723	723	723	723	723	723	723	723	723	723	723	723	8,676
Other Interest Expense	100	74	74	74	74	75	75	75	75	75	76	75	921
AFUDC - Debt	(28)	(30)	(31)	(32)	(33)	(35)	(36)	-	-	-	-	-	(225)
Total Interest	3,915	3,967	3,922	3,885	3,884	3,880	3,938	4,032	3,987	3,958	3,986	4,006	47,360
Income Before Dividends	**6,057**	**7,208**	**8,157**	**4,637**	**1,086**	**(649)**	**1,715**	**3,412**	**(22)**	**(728)**	**(1,621)**	**2,471**	**31,723**
Dividends on Preferred Stock	18	18	18	18	18	18	18	18	18	18	18	18	216
Net Income	**6,039**	**7,190**	**8,139**	**4,619**	**1,068**	**(667)**	**1,697**	**3,394**	**(40)**	**(746)**	**(1,639)**	**2,453**	**31,507**

Note: Totals may not add due to rounding.

Florida Public Service Commission
Docket No. 010949-EI
GULF POWER COMPANY
Witness: R. R. Labrato
Exhibit No. ___ (RRL-1)
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GULF POWER COMPANY
UTILITY PLANT BALANCES
For the Periods Ended May 2002 through May 2003
(Thousands of Dollars)

	2002								2003				
PLANT SUPPLEMENTAL SCHEDULE	**MAY**	**JUN**	**JUL**	**AUG**	**SEP**	**OCT**	**NOV**	**DEC**	**JAN**	**FEB**	**MAR**	**APR**	**MAY**
Non Depreciable:													
Initial Beginning Balance	14,688	14,688	15,108	15,108	15,108	15,108	15,108	15,108	15,108	15,108	15,108	15,108	15,108
Additions	-	420	-	-	-	-	-	-	-	-	-	-	-
Retirements	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	14,688	15,108	15,108	15,108	15,108	15,108	15,108	15,108	15,108	15,108	15,108	15,108	15,108
Depreciable:													
Initial Beginning Balance	2,008,810	2,221,413	2,232,749	2,235,056	2,237,308	2,244,663	2,248,696	2,251,379	2,283,278	2,285,658	2,288,451	2,292,186	2,295,518
Additions	213,328	12,697	3,315	3,374	7,872	4,483	3,129	41,265	2,929	3,374	4,547	4,122	4,174
Retirements	725	1,361	1,008	1,122	517	450	446	9,366	549	581	812	790	1,123
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	2,221,413	2,232,749	2,235,058	2,237,308	2,244,663	2,248,696	2,251,379	2,283,278	2,285,668	2,288,451	2,292,186	2,295,518	2,298,569
Plant Held for Future Use													
Initial Beginning Balance	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164
Adjustments & Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164	3,164
Construction Work In-Progress													
Initial Beginning Balance	248,026	45,553	39,976	41,864	43,348	40,616	41,302	43,297	8,963	10,040	11,205	12,673	13,797
Additions	10,855	7,540	5,203	4,858	5,140	5,169	5,124	6,951	3,966	4,539	6,015	5,246	5,161
Completions	213,328	13,117	3,315	3,374	7,872	4,483	3,129	41,265	2,929	3,374	4,547	4,122	4,174
Adjustments & Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance	45,553	39,976	41,864	43,348	40,616	41,302	43,297	8,983	10,040	11,205	12,673	13,797	14,784
Plant Acquisition Adjustment													
Initial Beginning Balance	5,010	4,989	4,967	4,946	4,925	4,904	4,883	4,861	4,840	4,819	4,798	4,776	4,755
Adjustments & Transfers	(21)	(22)	(21)	(21)	(21)	(21)	(22)	(21)	(21)	(21)	(22)	(21)	(21)
Ending Balance	4,989	4,967	4,946	4,925	4,904	4,883	4,861	4,840	4,819	4,798	4,776	4,755	4,734
Total Utility Plant													
Initial Beginning Balance	2,279,896	2,289,807	2,295,964	2,300,138	2,303,853	2,308,455	2,313,153	2,317,809	2,315,373	2,318,789	2,322,726	2,327,907	2,332,342
Additions	10,855	7,540	5,203	4,858	5,140	5,169	5,124	6,951	3,966	4,539	6,015	5,246	5,161
Retirements	725	1,361	1,008	1,122	517	450	446	9,366	549	581	812	790	1,123
Adjustments & Transfers	(21)	(22)	(21)	(21)	(21)	(21)	(22)	(21)	(21)	(21)	(22)	(21)	(21)
Ending Balance	2,289,807	2,295,964	2,300,138	2,303,853	2,308,455	2,313,153	2,317,809	2,315,373	2,318,789	2,322,726	2,327,907	2,332,342	2,336,359
Accumulated Provision													
Initial Beginning Balance	936,009	941,442	946,760	952,535	958,137	964,401	970,751	977,091	973,090	979,459	985,785	991,878	998,026
Provision for Depreciation	5,773	6,375	6,395	6,403	6,416	6,434	6,444	6,493	6,542	6,549	6,559	6,567	6,579
Provision for Amortization	421	421	421	421	421	421	422	422	395	395	395	396	397
Retirements	725	1,361	1,008	1,122	517	450	446	9,366	549	581	812	790	1,123
Removal	211	314	183	191	167	154	158	1,641	155	167	213	193	277
Salvage	176	197	151	91	112	99	79	91	136	130	164	168	217
Ending Balance	941,442	946,760	952,535	958,137	964,401	970,751	977,091	973,090	979,459	985,785	991,878	998,026	1,003,819

Note: Totals may not add due to rounding.

Florida Public Service Commission
Docket No. 010949-EI
GULF POWER COMPANY
Witness: R. R. Labrato
Exhibit No. ___ (RRL-1)
Schedule 5

Gulf Power Company
13-Month Average Rate Base
for the Period Ended May 31, 2003
(Thousands of Dollars)

Description	(1) Total System	(2) Regulatory Adjustments *	Adj #	(3) UPS Amounts	(4) Total System Adjusted	(5) Jurisdictional Factor **	(6) Jurisdictional Adjusted Rate Base
Plant-in-Service	2,277,763	(73,477)	(1-3)	189,273	2,015,013	0.9759203	1,966,492
Accumulated Depreciation and Amortization	972,552	(17,109)	(4-8)	79,207	876,236	0.9747363	854,099
Net Plant-in-Service	1,305,211	(56,368)		110,066	1,138,777	0.9768313	1,112,393
Plant Held for Future Use	3,164				3,164	0.9687105	3,065
Construction Work-in-Progress	28,264	(11,528)	(9-11)	375	16,361	0.9687672	15,850
Plant Acquisition Adjustment	4,861			4,861	0	-	0
Net Utility Plant	1,341,500	(67,896)		115,302	1,158,302	0.9766952	1,131,308
Working Capital Allowance	67,951	971	(12)	(420)	69,342	0.9690231	67,194
Total Rate Base	1,409,451	(66,925)		114,882	1,227,644	0.9762618	1,198,502
Net Operating Income	80,185						61,378
Rate of Return	5.69%						5.12%

* See page 2
** See O'Sheasy Schedule 1

Gulf Power Company
Schedule of Adjustments to Test Year
13-Month Average Rate Base
for the Period Ended May 31, 2003
(Thousands of Dollars)

Description of Adjustments	(1) Total System Adjustment	(2) Jurisdictional Allocation Factor	(3) Total Jurisdictional Adjustment	(4) Jurisdictional Revenue Effect
(1) Plant-in-Service - Appliance Sales	(289)	1.0000000	(289)	(36)
(2) Plant-in-Service - Environmental Cost Recovery Clause	(68,202)	0.9642371	(65,763)	(8,240)
(3) Plant-in-Service - Energy Conservation Cost Recovery Clause	(4,986)	1.0000000	(4,986)	(625)
(4) Accumulated Depreciation - Appliance Sales	115	1.0000000	115	14
(5) Accumulated Depreciation - Environmental Cost Recovery Clause	19,743	0.9642371	19,037	2,385
(6) Accumulated Depreciation - Energy Conservation Cost Recovery Clause	204	1.0000000	204	26
(7) Accumulated Depreciation Adjustment - Depreciation Study	(1,200)	0.9747363	(1,170)	(147)
(8) Accumulated Depreciation Adjustment - Smith CC Depreciable Life	(1,753)	0.9642377	(1,690)	(212)
(9) CWIP - Energy Conservation Cost Recovery Clause	(2,083)	1.0000000	(2,083)	(261)
(10) CWIP - Interest Bearing	(9,016)	0.9687672	(8,734)	(1,094)
(11) CWIP - Environmental Cost Recovery Clause	(429)	0.9642371	(414)	(52)
(12) Working Capital Adjustments **(See Schedule 7)**	971	0.9783728	950	119
Total Adjustments	(66,925)		(64,823)	(8,123)

Gulf Power Company
13-Month Average Working Capital
for the Period Ended May 31, 2003
(Thousands of Dollars)

Total Company Working Capital:		
Other Investments		9,072
Current Assets		206,812
Deferred Debits net of Cap Struc Items		11,861
Current Liabilities net of Cap Struc Items		(74,194)
Deferred Credits net of Cap Struc Items		(34,131)
Noncurrent Liabilities (Reserves)		(51,469)
Total Company Working Capital		**67,951**
Adjustments to Working Capital:		
Adjustments to Other Investments		
Funded Property Insurance Reserve	(8,264)	(8,264)
Adjustments to Current Assets		
Accounts Receivable-Appliance Sales (net)	(80)	
Loans to Employees	(814)	
Interest & Dividends Receivable	(184)	
Clean Air Act Emission Allowance Inventory	(82)	(1,160)
Adjustments to Deferred Credits		
Deferred Interest Revenue - Appliance Sales	25	
Loss On Sale Of Railcars	533	
Gain on Sale of Clean Air Act Emission Allowances	677	1,235
Adjustments to Non-Current Liabilities		
Operating Reserves	9,160	9,160
Total Adjustments to Working Capital (Adjustment 12)		**971**

Gulf Power Company
Net Operating Income
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

Description	(1) Total System	(2) Regulatory Adjustments *	Adj. #	(3) UPS Amounts	(4) System Adjusted	(5) Jurisdictional Factor **	(6) Jurisdictional Adjusted NOI
Operating Revenues:							
Sales of Electricity	733,472	(346,645)	(1,2,4,5)	21,903	364,924	0.9834870	358,898
Other Operating Revenues	33,019	(18,934)	(3)		14,085	0.9809017	13,816
Total Operating Revenues	766,491	(365,579)		21,903	379,009	0.9833909	372,714
Operating Expenses:							
Operation & Maintenance							
Fuel Expense	308,818	(308,818)	(6)		0	-	0
Purchased Power-Energy	14,161	(14,161)	(7)		0	-	0
Purchased Power-Capacity	3,492	(3,492)	(8)		0	-	0
Other Operation & Maintenance	201,325	(7,754)	(9-17)	7,217	186,354	0.9788843	182,419
Depreciation & Amortization	82,237	1,679	(18-21)	4,386	79,530	0.9752798	77,564
Amortization of Investment Credit	(1,831)			(332)	(1,499)	0.9753169	(1,462)
Taxes Other Than Income Taxes	59,746	(21,477)	(22-27)	665	37,604	0.9831135	36,969
Income Taxes:							
Federal	21,765	(645)	(28,29)	2,656	18,464	1.0349328	19,109
State	3,594	(108)	(28,29)	442	3,044	1.0348226	3,150
Deferred Income Taxes - Net							
Federal	(6,296)			(733)	(5,563)	1.0434932	(5,805)
State	(705)			(122)	(583)	1.0434932	(608)
Total Operating Expenses	686,306	(354,776)		14,179	317,351		311,336
Net Operating Income	80,185	(10,803)		7,724	61,658		61,378

* See pages 2 and 3
** See O'Sheasy Schedule 1

Gulf Power Company
Schedule of Adjustments to NOI
For the Twelve Months Ended May 31, 2003
Revenues
(Thousands of Dollars)

		(1)	(2)	(3)	(4)	(5)
Description of Adjustment	Schedule Reference	System Amount	Allocation Factor	Jurisdictional Amount	NOI Effect	Revenue Effect
(1) Fuel Clause Revenues	Sch. 9	(326,847)	Direct	(221,901)	(136,303)	225,809
(2) ECCR Clause Revenues	Sch. 10	(5,414)	1.0000000	(5,414)	(3,326)	5,510
(3) Franchise Fee Revenues		(18,934)	1.0000000	(18,934)	(11,630)	19,267
(4) PPCC Recovery Clause Revenues	Sch. 11	(3,455)	1.0000000	(3,455)	(2,122)	3,515
(5) ECRC Revenues	Sch. 12	(10,929)	1.0000000	(10,929)	(6,713)	11,121
Total Revenue Adjustments		(365,579)		(260,633)	(160,094)	265,222

Gulf Power Company
Schedule of Adjustments to NOI
For the Twelve Months Ended May 31, 2003
Expenses
(Thousands of Dollars)

Description of Adjustment	Schedule Reference	(1) System Amount	(2) Allocation Factor	(3) Jurisdictional Amount	(4) NOI Effect	(5) Revenue Effect
(6) Fuel Expense	Sch. 9	(308,818)	0.6758350	(208,710)	128,200	(212,385)
(7) Fuel Portion of Interchange Energy	Sch. 9	(14,161)	0.6758350	(9,570)	5,878	(9,738)
(8) PPCC Recovery Clause Expense In O&M	Sch. 11	(3,492)	0.9642371	(3,367)	2,068	(3,426)
(9) Marketing Supp Act /Bulk Power Energy Sales		(304)	1.0000000	(304)	187	(310)
(10) ECCR Clause Expense In O&M	Sch. 10	(4,312)	1.0000000	(4,312)	2,649	(4,389)
(11) Management Tax Preparation Services		(4)	0.9786848	(4)	2	(3)
(12) Economic Development		(53)	1.0000000	(53)	33	(55)
(13) Tallahassee Regulatory Office O&M		(226)	0.9786848	(221)	136	(225)
(14) Purchased Transmission (Acct 565)	Sch. 9	(200)	0.6758350	(135)	83	(138)
(15) Industry Association Dues	Sch. 13	(15)	1.0000000	(15)	9	(15)
(16) ECRC Expense in O&M	Sch. 12	(3,199)	0.9642371	(3,085)	1,895	(3,139)
(17) O&M Portion of Depreciation Study Adjustment		559	0.9788840	547	(336)	557
(18) ECRC Depreciation	Sch. 12	(2,501)	0.9642371	(2,412)	1,482	(2,455)
(19) ECCR Clause Depreciation	Sch. 10	(144)	1.0000000	(144)	88	(146)
(20) Depreciation Study Adjustment		815	0.9752798	795	(488)	808
(21) Smith CC Depreciable Life Adjustment		3,509	0.9642248	3,383	(2,078)	3,443
(22) ECCR Clause Expense In Other Taxes	Sch. 10	(164)	1.0000000	(164)	101	(167)
(23) Franchise Fee Expense		(18,446)	1.0000000	(18,446)	11,330	(18,770)
(24) Payroll Taxes - Lobbying Office Salaries		(10)	0.9822170	(10)	6	(10)
(25) ECRC Property Taxes (Other Taxes)	Sch. 12	(403)	0.9642371	(389)	239	(396)
(26) Taxes Other Than Income Taxes	Sch. 15	(4,307)	1.0000000	(4,307)	2,646	(4,384)
(27) Annualized Property Tax Adj - Smith CC		1,853	0.9642363	1,787	(1,098)	1,819
(28) Tax Effect of Adjustments - Federal	Sch. 16	(3,822)	N/A	(3,803)	-	-
- State		(636)	N/A	(632)	-	-
(29) Tax Effect of Interest Synchronization	Sch. 17					
- Federal		3,177	0.9937922	3,157	(3,157)	5,230
- State		528	0.9937922	525	(525)	870
Total Expense Adjustments		(354,776)		(249,889)	149,350	(247,424)

Gulf Power Company

Fuel Clause Revenues and Expenses
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

		Amount
(1) Fuel Clause Revenues:		
Retail Fuel Clause Revenues		221,901
Wholesale Fuel Clause Revenues		7,494
Wholesale Fuel in Base Rates		0
Interdepartmental Sales		0
Non-Territorial Fuel Revenues		
Associated Companies Sales		72,997
SWE		566
Unit Power Sales		21,350
Opportunity Sales		2,539
Total Fuel Clause Revenues **(Adj. 1)**		326,847
(6, 7, & 14) Fuel Clause Expenses:		
Fuel Exp. per the Income Statement **(Adj. 6)**		
Coal	205,824	
Natural Gas	12,000	
Lighter Oil and CT Fuel	90,994	308,818
Interchange Energy-Fuel Portion **(Adj. 7)**		14,161
Purchased Transmission **(Adj. 14)**		200
Revenue Taxes @ 1.572% (All Retail)		3,488
Total Fuel Clause Expenses		326,667
Net Over / (Under) Recovery of Fuel Expenses		180

Gulf Power Company
Energy Conservation Cost Recovery (ECCR) Clause Revenues and Expenses
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

		Amount
(2) ECCR Clause Revenues		5,414
(10, 19, & 22) ECCR Clause Expenses		
ECCR Clause Expense in O&M **(Adj. 10)**		
Customer Service & Info.	3,991	
Administrative & General	321	4,312
ECCR Clause Depreciaton **(Adj. 19)**		144
ECCR Clause Expense in Other Taxes **(Adj. 22)**		
Property Taxes	58	
Payroll Taxes	106	164
Revenue Taxes @ 1.572%		85
Carrying Costs of ECCR Clause Investment		715
Total ECCR Clause Expenses		5,420
Net Over / (Under) Recovery of ECCR Clause Expenses		(6)

Gulf Power Company
Purchased Power Capacity Cost (PPCC) Recovery Clause Revenues and Expenses
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

	Amount
(4) PPCC Recovery Clause Revenues:	
Retail PPCC Recovery Clause Revenues	4,746
Amount in Base Rates	(1,652)
Associated Companies Capacity Sales	361
Non-Associated Companies Capacity Sales	0
Total PPCC Recovery Clause Revenues **(Adj. 4)**	3,455
(8) PPCC Recovery Clause Expenses:	
PPCC Recovery Clause Expense in O&M **(Adj. 8)**	3,492
Revenue Taxes @ 1.572% (All Retail)	75
Total PPCC Recovery Clause Expenses	3,567
Net Over / (Under) Recovery of PPCC Recovery Clause Expenses	(112)

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Schedule 12

Gulf Power Company
Environmental Cost Recovery Clause (ECRC) Revenues and Expenses
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

		Amount
(5) ECRC Revenues		
Retail ECRC Revenues **(Adj. 5)**		10,929
(16, 18, & 25) ECRC Expenses		
ECRC Expense in O&M		
Production O&M - Demand Related	729	
- Energy Related	1,588	2,317
Transmission O&M - Demand Related		(283)
Distribution O&M - Demand Related		1,165
Admin. & General O&M - Energy Related		0
Total ECRC Expense in O&M **(Adj. 16)**		3,199
ECRC Depreciation		
Demand Related	653	
Energy Related	1,848	
Total Depreciation **(Adj. 18)**		2,501
ECRC Property Taxes		
Demand Related	391	
Energy Related	12	
Total Property Taxes **(Adj. 25)**		403
Revenue Taxes @ 1.572% (All Retail)		172
Carrying Costs on ECRC Investment		5,029
Total ECRC Expenses - System Amount		11,304
Total ECRC Expenses - Jurisdictional Amount		10,935
Net Over / (Under) Recovery of ECRC Expenses		(6)

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GULF POWER COMPANY
Industry Association Dues
For the Twelve Months Ended May 31, 2003

		Amount Accounts 930-200 & 930-205
Professional and Industry Organizations		
Am. National Standards Institute (ANSI)	$	4,000
American Society of Quality Management		2,048
Assoc. of Edison Ill. Company's (AEIC)		600
Edison Electric Institute (EEI)		98,917
Equal Employment Advisory Council		1,430
Financial Accounting Standards Board (FASB) Contribution		2,391
Fla. Elec. Power Coord. Group (FCG)		50,600
Florida Reliability Coord. Council (FRCC)		24,000
Gulf Coast Economic Club		1,000
Property Tax Appraisers Association		50
Southeastern Electric Exchange (SEE)		10,000
SE Reliability Council (SERC)		64,848
Subtotal	$	259,884
Area and Economic Development Organizations		
Associated Industries of Florida (AIF)		7,000
Bay County Economic Development Alliance		1,243
Chambers of Commerce		32,690
Florida Council of 100		3,100
National Association of Mfgs. (NAM)		2,500
Okaloosa Economic Development Council		363
Warrior-Tombigbee Waterway Association		500
Washington County Economic Development Council		1,243
Subtotal	$	48,639
Total All	$	308,523
Percentage Disallowed		5.00%
Industry Association Dues Disallowed **(Adj. 15)**	$	15,426

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Schedule 14

Deloitte & Touche LLP
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Memo

Deloitte & Touche

Date: August 20, 2001

To: Paul Trippe (Gulf Power)

From: Don Roff (D&T - Dallas)

Subject: Depreciable Life of Combined Cycle Unit

I have reviewed the capital forecast for the Smith Unit 3 Combined Cycle Unit. I have further reviewed the data requests and responses of Florida Power & Light Company on this subject, as well as the manufacturer's information you provided. Based upon this and our discussions, it would seem that a reasonable life span to use for this facility is 25 years. The Energy Budget indicates annual operations of roughly 7,200 hours at a capacity factor of about 50%. Clearly, this unit will be operated in a cycling mode. For purposes of this discussion, I define a cycle as a load shift of at least 150 mW. With a total life limit of about 5,000 cycles, it is estimated that there will be between 200 and 250 annual cycles. This produces a conceptual span life of 20 to 25 years. The practicalities of the changing technologies and extensive periodic maintenance and capital activity indicate an even shorter average life. I have selected a life span of 25 years.

The capital forecast indicates that roughly 5% of the asset base is spent every three years. Thus approximately 60% of the facility would last for 25 years and approximately 40% would have a life of about half that:

60% @ 25 years = 15.0
40% @ 12.5 years = 5.0

20.0 years

Thus I propose an average service life for depreciation purposes of 20 years.

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GULF POWER COMPANY
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Schedule 15

Gulf Power Company
Taxes Other Than Income Taxes Adjustment
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

	Amount
(26) Taxes Other Than Income Taxes Adjustment	
Revenue Adjustments:	
Retail Fuel Clause Revenues (Retail Portion of Adj. 1)	221,901
ECCR Clause Revenues (Adj. 2)	5,414
Franchise Fee Revenues (Adj. 3)	18,934
PPCC Recovery Clause Revenues (Sch. 11)	4,746
ECRC Revenues (Adj. 5)	10,929
Total Revenue Adjustments	261,924
Gross Receipts Tax @ 1.50% (Note 1)	3,645
Gross Receipts Tax on Franchise Fee Revenue @ 2.5% (Note 2)	473
FPSC Assessment Fee @ .072% (Note 3)	189
Total Taxes Other Than Income Taxes Adjustment **(Adj. 26)**	4,307

(1) Calculated on the revenues collected in base rates (retail fuel, ECCR, PPCC, and ECRC revenues above) at 1.5%

(2) Calculated on franchise fee revenues (adj. 3) at the 2.5% rate to reflect franchise fee collection factor

(3) Calculated on total revenue adjustments

Gulf Power Company
Income Tax Adjustment
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

	Amount
(28) Income Tax Adjustment of Revenue and Expense Adjustments	
Revenue Adjustments 1 - 5 (Schedule 8, p. 2 of 3)	(365,579)
Expense Adjustments 6 - 27 (Schedule 8, p. 3 of 3)	(354,023)
Net Increase to Taxable Income	(11,556)
Federal Income Tax @ 33.075%	(3,822)
State Income Tax @ 5.5%	(636)
Total Tax Effect of Adjustments **(Adj. 28)**	(4,458)

Gulf Power Company
Interest Synchronization Adjustment
For the Twelve Months Ended May 31, 2003
(Thousands of Dollars)

	Amount	Cost Rate	Expense
Total Company			
Long-Term Debt	494,855	7.11%	35,184
Short-Term Debt	18,393	6.02%	1,107
Customer Deposits	13,425	5.98%	803
ITC-Debt Componen"	9,276	7.11%	660
Total Synchronized Interest			37,754
Total Company Interest Expense			47,360
Difference			(9,606)
Federal Income Tax @ 33.075%			3,177
State Income Tax @ 5.5%			528
Total Tax Effect of Interest Synchronization **(Adj. 29)**			3,705
Jurisdictional			
Long-Term Debt	437,913	7.08%	31,004
Short-Term Debt	17,801	6.02%	1,072
Customer Deposits	13,249	5.98%	792
ITC-Debt Component	7,055	7.08%	499
Total Synchronized Interest			33,367
Total Company Interest Expense		47,360	
Less: Unit Power Sales Interest		3,404	
		43,956	
Jurisdictional Factor		0.9762618	42,913
Difference			(9,546)
Federal Income Tax @ 33.075%			3,157
State Income Tax @ 5.5%			525
Total Tax Effect of Interest Synchronization **(Adj. 29)**			3,682

Gulf Power Company
13-Month Average Jurisdictional Cost of Capital
for the Period Ended May 31, 2003

Item Description	Jurisdictional Amount ($000's)	Ratio %	Cost Rate %	Weighted Component %
Long-Term Debt	437,913	36.54	7.08	2.59
Short-Term Debt	17,801	1.49	6.02	0.09
Preferred Stock	99,565	8.31	5.01	0.42
Common Equity	491,919	41.04	13.00	5.34
Customer Deposits	13,249	1.11	5.98	0.07
Deferred Taxes	121,471	10.13		0.00
Investment Credit - Weighted Cost	16,584	1.38	9.70	0.13
Total	1,198,502	100.00		8.64

GULF POWER COMPANY
13-Month Average Capital Structure
2002 - 2003
(Thousands of Dollars)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Total Company	Preferred Stock Issuance Expense Previously Charged to Retained Earnings	Less: Common Dividends Declared	Less: Unamortized Prem., Disc., Issuing Exp. & Loss on Reacquired Debt	Less: Non-Utility Adjustments	Less: Unit Power Sales Investment	Subtotal	Ratio	Other Rate Base Adjustments	Total Adjusted Capital Structure Net of UPS	Jurisdictional Factor	Jurisdictional Capital Structure
Long-Term Debt	534,632			18,690		42,884	473,058	36.55	24,378	448,680	0.9760026	437,913
Short-Term Debt	19,233						19,233	1.49	994	18,239	0.9760026	17,801
Preferred Stock	116,613	(2,694)				6,364	107,555	8.31	5,542	102,013	0.9760026	99,565
Common Equity	547,188	2,694	(10,175)		683	27,975	531,399	41.06	27,385	504,014	0.9760026	491,919
Customer Deposits	13,969						13,969	1.08	720	13,249	1.0000000	13,249
Deferred Taxes	152,090					30,901	121,189	9.36	6,243	114,946	0.9760026	112,188
Regul Tax Asset/Liab	12,582					2,557	10,025	0.77	514	9,511	0.9760026	9,283
Investment Credit - Weighted Cost	22,113					4,201	17,912	1.38	920	16,992	0.9760026	16,584
Total	1,418,420	0	(10,175)	18,690	683	114,882	1,294,340	100.00	66,696	1,227,644		1,198,502

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GULF POWER COMPANY
13-Month Average Cost of Long-Term Debt
at May 31, 2003

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Issue	Issue Date	Maturity Date	Principal	Unamortized Prem., Disc., Issuing Exp. & Loss on Reacquired Debt	Net (4) - (5)	Amortization	Interest (1) x (4)	Annual Total Cost (7) + (8)
First Mortgage Bonds and Other Long Term Debt								
6 1/2% Series due 2006	11-01-96	11-01-06	25,000	256	24,744	65	1,625	1,690
6 7/8% Series due 2026	01-01-96	01-01-26	30,000	500	29,500	22	2,063	2,085
7 1/2% Series due 2001	10-13-71	10-01-01	0	0	0	(33)	0	(33)
7 1/2% Series due 2003	05-01-73	05-01-03	0	30	(30)	72	0	72
8 3/8% Series due 2007	03-17-77	03-01-07	0	472	(472)	111	0	111
9 % Series due 2008	09-28-78	09-01-08	0	342	(342)	59	0	59
10 1/4% Series due 2009	05-01-79	05-01-09	0	687	(687)	107	0	107
15 % Series due 2010	02-28-80	02-01-10	0	1,740	(1,740)	243	0	243
10 1/8% Series due 2016	02-19-86	02-01-16	0	2,232	(2,232)	169	0	169
8 3/4% Series due 2021	11-01-91	11-01-21	0	2,880	(2,880)	152	0	152
6.70% Sr. Insured Note	06-24-98	06-30-38	48,002	1,450	46,552	68	3,216	3,284
7.05% Unsecured Note	08-15-99	08-15-04	50,000	80	49,920	48	3,525	3,573
6 1/8% Series Due 2023	07-01-93	07-01-03	30,000	41	29,959	71	1,838	1,909
7.5% Jr. Subordinated Note	08-01-97	06-30-37	20,000	640	19,360	19	1,500	1,519
7.75% Note	06-01-01	06-01-31	80,000	0	80,000	0	6,200	6,200
7.05% Note	06-02-01	06-02-11	20,000	0	20,000	0	1,410	1,410
7.65% Note	10-01-01	10-01-31	10,000	0	10,000	0	765	765
7.30% Note	10-02-01	10-02-11	10,000	0	10,000	0	730	730
7.50% Note	03-01-02	03-01-12	30,000	0	30,000	0	2,250	2,250
7.70% Note	03-02-02	03-02-32	12,000	0	12,000	0	924	924
Pollution Control Bonds								
5.25% PCB Due 2006	04-01-96	04-01-06	12,075	126	11,949	38	634	672
5.70 PCB Due 2023	11-01-93	11-01-23	7,875	225	7,650	11	449	460
8 % PCB due 2004	12-01-74	12-01-04	0	35	(35)	17	0	17
6 3/4% PCB due 2006	05-01-76	05-01-06	0	49	(49)	14	0	14
6.00% PCB due 2006	10-01-76	10-01-06	0	59	(59)	15	0	15
5 1/2% PCB due2026	02-01-96	02-01-26	21,200	427	20,773	18	1,166	1,184
5.90 % Note due 2003	08-01-80	11-01-03	0	4	(4)	4	0	4
11 1/2% PCB due 2011	05-20-81	05-01-11	0	464	(464)	55	0	55
12 3/5% PCB due 2012	08-01-82	08-01-12	0	728	(728)	75	0	75
10.00% PCB due 2013	08-24-83	08-01-13	0	547	(547)	51	0	51
10 1/2% PCB due 2014	12-01 -84	12-01-14	0	874	(874)	73	0	73
8 1/4% PCB due 2017	06-01 -87	06-01-17	0	949	(949)	65	0	65
7 1/8% PCB due 2021	04-01-91	04-01-21	0	683	(683)	37	0	37
6 3/4% PCB due 2022	03-01-92	03-01-22	0	387	(387)	20	0	20
5 4/5% PCB Due 2023	06-01-93	06-01-23	32,550	527	32,023	26	1,888	1,914
6 1/5% PCB Due 2023	04-01-93	04-01-23	13,000	320	12,680	16	806	822
6.30% PCB Due 2024	09-01-94	09-01-24	22,000	460	21,540	21	1,386	1,407
Var Rate PCB	09-01-94	09-01-24	20,000	191	19,809	9	846	855
Var Rate PCB	07-01-97	07-01-22	37,000	251	36,749	13	1,567	1,580
Var Rate PCB	07-01-97	07-01-22	3,930	34	3,896	2	166	168
Total Long-Term Debt			534,632	18,690	515,942	1,753	34,954	36,707
Embedded Cost of Long-Term Debt								7.11%
Less: Adjustment for Unit Power Sales			42,884	0	42,884	0	3,228	3,228
Long-Term Debt net of UPS			491,748	18,690	473,058	1,753	31,726	33,479
Embedded Cost of Long-Term Debt net of UPS								7.08%

GULF POWER COMPANY
13-Month Average Cost of Preferred Stock
at May 31, 2003

Issue	(1) After-Tax Cost Rates (A)	(2) Issue Date	(3) Current Call Price	(4) Principal	(5) (Premium) or Discount	(6) Issue Expense	(7) Net Proceeds (4)-(5)-(6)	(8) Dividends Declared and Paid (1) x (4)	(9) Amortization of Expenses	(10) Net Dividends (8)+(9)	(11) Cost of Money (10) / (7)
Preferred Stock											
4.64%	4.64%	11-15-50	105.000	1,250	(21)	(351)	1,622	58	(11)	47	2.90
5.16%	5.16%	07-07-60	103.468	1,358	(6)	27	1,337	70	0	70	5.24
5.44%	5.44%	06-15-66	103.060	1,628	(13)	13	1,628	89	0	89	5.47
7.52%	7.52%	03-06-69	103.500	0	(17)	165	(148)	0	4	4	0.00
7.88%	7.88%	05-16-72	102.470	0	(15)	120	(105)	0	3	3	0.00
7.00%	7.00%	01-23-92	107.000	0	0	1,474	(1,474)	0	43	43	0.00
7.30%	7.30%	08-27-92	107.300	0	0	333	(333)	0	10	10	0.00
6.72%	6.72%	09-29-93	106.720	0	0	603	(603)	0	17	17	0.00
Var	Var	11-03-93		0	0	381	(381)	0	11	11	0.00
Trust Preferred Securities											
7.625%	4.68%	01-31-97		40,000	1,017	222	38,761	1,872	36	1,908	4.92
7.00%	4.30%	01-20-98		45,000	1,245	140	43,615	1,935	39	1,974	4.53
8.25%	5.07%	10-01-01		20,000	0	0	20,000	1,014	0	1,014	5.07
8.25%	5.07%	10-01-01		10,000	0	0	10,000	507	0	507	5.07
Total Preferred Stock				119,236	2,190	3,127	113,919	5,545	152	5,697	5.00%
Less: Adjustment for Unit Power Sales				6,364			6,364	309		309	
Preferred Stock net of UPS				112,872			107,555	5,236		5,388	5.01%

Note (A): The after-tax cost rates for trust preferred securities are calculated by multiplying the nominal issue rate by (1 - Weighted Income Tax Rate of 38.575%) or .61425.

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Gulf Power Company
Calculation of Revenue Deficiency
For the Test Year Ended
May 31, 2003
(Thousands of Dollars)

	Schedule Reference	Amount
Adjusted Jurisdictional Rate Base	Schedule 6	1,198,502
Requested Jurisdictional Rate of Return	Schedule 18	8.64%
Jurisdictional NOI Required		103,551
Less: Achieved Adjusted Jurisdictional NOI	Schedule 8	61,378
Return Requirement (After Taxes)		42,173
Net Operating Income Multiplier	Schedule 20	1.656666
Revenue Deficiency		69,867

Gulf Power Company
Revenue Expansion Factor & NOI Multiplier
For the Test Year Ended
May 31, 2003

Line No.	Description	Percent	Percent
1	Revenue Requirement		100.0000
2	Gross Receipts Tax Rate		1.5000
3	Regulatory Assessment Rate		0.0720
4	Bad Debt Rate *		0.1583
5	Net Before Income Taxes (1) - (2) - (3) - (4)		98.2697
6	State Income Tax Rate	5.5000	
7	State Income Tax (5) x (6)		5.4048
8	Net Before Federal Income Tax (5) - (7)		92.8649
9	Federal Income Tax Rate	35.0000	
10	Federal Income Tax (8) x (9)		32.5027
11	Revenue Expansion Factor (8) - (10)		60.3622
12	Net Operating Income Multiplier (100% / Line 11)		1.656666

* Provision for Bad Debt Accrual (Per MFR C-25)	1,011,692		
Divided by		=	0.001583
Total Territorial Sales & Other Operating Revenues (Per MFR C-10)	638,948,000		

Minimum Filing Requirements (MFR)

MFR Schedule	Description
A-1a	Full Revenue Requirements Increase Requested
A-1b	Interim Revenue Requirements Increase Requested
A-2	Summary of Rate Case
A-3	Reasons for Requested Rate Increase
A-7	Statistical Information
A-8	Five Year Analysis – Change in Cost
A-9	Summary of Jurisdictional Rate Base
A-10	Summary of Jurisdictional Net Operating Income
A-11	Summary of Adjustments Not Made
A-12a	Summary of Jurisdictional Capital Structure
A-12b	Summary of Jurisdictional Capital Cost Rates
A-12c	Summary of Financial Integrity Indicators
A-14	Financial and Statistical Report

Minimum Filing Requirements (MFR)

MFR Schedule	Description
B-1	Balance Sheet - Jurisdictional
B-2a	Balance Sheet – Jurisdictional Assets Calculation
B-2b	Balance Sheet – Jurisdictional Liabilities Calculation
B-3	Adjusted Rate Base
B-4	Rate Base Adjustments
B-5	Commission Rate Base Adjustments
B-6	Company Rate Base Adjustments
B-8a	Plant Balances by Account and Sub-Account
B-8b	Depreciation Reserve Balances by Account and Sub-Account
B-9a	Monthly Plant Balances Test Year – 13 Months
B-9b	Monthly Reserve Balances Test Year – 13 Months
B-10	Capital Additions and Retirements
B-11	Capital Additions and Retirements-Property Merged or Acquired from other Companies
B-12a	Property Held for Future Use – 13-Month Average
B-12b	Property Held for Future Use – Monthly Balances
B-12c	Property Held for Future Use – Details

Minimum Filing Requirements (MFR)

MFR Schedule	Description
B-13a	CWIP – 13-Month Average Balance
B-13b	CWIP – Other Details
B-13c	CWIP - AFUDC
B-14	Working Capital – 13-Month Average
B-15	Working Capital -- Monthly Balances
B-17a	System Fuel Inventory
B-17b	Fuel Inventory by Plant
B-19	Accounts Payable - Fuel
B-20	Plant Materials and Operating Supplies
B-21	Other Deferred Credits
B-22	Miscellaneous Deferred Debits
B-25	Additional Rate Base Components
B-26	Accounting Policy Changes Affecting Rate Base
B-27	Detail of Changes in Rate Base
B-28a	Leasing Arrangements
B-28b	Leasing Arrangements (ERTA 1981)
B-29	10 Year Historical Balance Sheet
B-30	Net Production Plant Additions

Minimum Filing Requirements (MFR)

MFR Schedule	Description
C-1	Jurisdictional Net Operating Income
C-2	Adjusted Jurisdictional Net Operating Income
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Minimum Filing Requirements (MFR)

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Minimum Filing Requirements (MFR)

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Minimum Filing Requirements (MFR)

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Minimum Filing Requirements (MFR)

MFR Schedule	Description
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Minimum Filing Requirements (MFR)

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