BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060154-EI

TESTIMONY AND EXHIBIT

OF

SUSAN D. RITENOUR

In Support of Storm-Recovery Financing

GULF POWER

A SOUTHERN COMPANY

GULF POWER COMPANY

Before the Florida Public Service Commission
Direct Testimony and Exhibit of
Susan D. Ritenour
Docket No. 060154-EI
In Support of Storm-Recovery Financing
Date of Filing: February 22, 2006

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

A. My name is Susan Ritenour. My business address is One Energy Place, Pensacola, Florida 32520-0780. I hold the position of Secretary and Treasurer and Regulatory Manager for Gulf Power Company.

Q. Please briefly describe your educational background and business experience.

A. I graduated from Wake Forest University in Winston-Salem, North Carolina in 1981 with a Bachelor of Science Degree in Business and from the University of West Florida in 1982 with a Bachelor of Arts Degree in Accounting. I am also a Certified Public Accountant licensed in the State of Florida. I joined Gulf Power Company in 1983 as a Financial Analyst. Prior to assuming my current position, I have held various positions with Gulf including Computer Modeling Analyst, Senior Financial Analyst, Supervisor of Rate Services, and Assistant Secretary & Assistant Treasurer.

My responsibilities include supervision of: tariff administration, cost of service activities, calculation of cost recovery factors, the regulatory filing function of the Regulatory Matters Department, and various treasury and corporate secretary activities.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to discuss Gulf Power's proposed issuance of storm-recovery bonds in order to recover the costs associated with restoration of Gulf's system following Hurricanes Ivan, Dennis and Katrina; the associated financing costs; and an amount to be added to the Accumulated Provision for Property Insurance (the "Reserve") to help cover future losses. This Reserve is discussed in more detail in the testimony of Mr. McMillan. I will calculate the storm-recovery charges by customer rate class necessary to recover these costs over the life of the requested storm-recovery bonds, along with the periodic true-up mechanism. In addition, I will calculate the cost savings associated with securitization compared to alternative means of storm-cost recovery and demonstrate that Gulf's proposed securitization will significantly mitigate the rate impacts to our customers. Finally, I will provide supporting calculations for Gulf's alternate request for storm cost recovery in the event that the Commission does not issue a financing order approving securitization.

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

A. Yes. My exhibit consists of 9 schedules, each of which was prepared under my direction, supervision, or review.

Counsel: We ask that Ms. Ritenour's Exhibit consisting of 9 schedules be marked as Exhibit No. ______ (SDR-1).

Q. Ms. Ritenour, please explain what Gulf Power is requesting in this docket.

A. As Mr. Labrato explains in his testimony, Gulf's primary request in this filing is that the Commission issue a financing order to provide for the issuance of storm-recovery bonds and the associated storm-recovery charge to be paid by all customers pursuant to Section 366.8260, Florida Statutes, relating to storm infrastructure recovery (the "Statute"). Gulf is requesting the recovery of costs associated with restoring service to its customers due to storm damage resulting from Hurricanes Dennis and Katrina, along with an amount to be added to the Reserve to provide for future losses. In addition, Gulf is requesting that the remaining balance of the stipulated recovery amount associated with Hurricane Ivan be included in the new storm-recovery charge and that the Ivan Deficit Cost Recovery Surcharge (the "Ivan Surcharge") approved in Docket No. 050093-EI to recover costs associated with Hurricane Ivan be terminated upon implementation of the storm-recovery charge requested in this proceeding.

Q. What is the total amount of storm-recovery bonds that Gulf is requesting to be issued?

A. Gulf proposes to issue $87.2 million of storm-recovery bonds as calculated on Schedule 1 of my exhibit. As provided for in the Statute, the proceeds of the storm-recovery bonds will be used to finance "storm-recovery costs, financing costs, [and] costs to replenish the storm-recovery reserve". Mr. McMillan has provided me with the storm-recovery costs related to Hurricanes Dennis and Katrina ($54.2 million), along with the remaining balance of costs associated with Hurricane

Ivan ($13.6 million), as described in his testimony and the testimony of Mr. Mandes. Mr. McMillan also has provided the amount of approximately $70 million that Gulf is requesting as an addition to the Reserve. The total of these storm-recovery and replenishment costs is $137.8 million. The storm-recovery bonds will cover the after-tax amount of these costs, or $84.6 million. In addition, Mr. Kim has provided an estimate of the upfront financing costs associated with issuance of the storm-recovery bonds of $2.6 million, for a total bond amount of $87.2 million.

Q. Are the amounts shown on Schedule 1 jurisdictional amounts?

A. Yes. The number Mr. McMillan provided related to the remaining balance of Ivan costs previously approved was calculated by subtracting retail revenues projected to be recovered as of August 31, 2006, from the total jurisdictional amount previously approved for recovery. The costs associated with Hurricanes Dennis and Katrina are 100% jurisdictional due to the fact that only Gulf's retail customers lost power during those storms.

Q. The remaining balance of Hurricane Ivan costs, the storm-recovery costs associated with Dennis and Katrina, and the financing costs shown on Schedule 1 are estimated amounts. How will differences between actual and estimated amounts be taken into account in the bond issuance amount?

A. Gulf proposes that the total amount of the bonds to be issued remain the same. Any differences between actual and estimated recoverable costs will be offset in the amount being applied to replenish the Reserve. For example, if financing costs are $100,000 more than expected, the Reserve replenishment amount will be less by $100,000. The opposite would also be true. The bond proceeds will apply first to pay for the upfront bond issuance costs and then to reimburse the company for storm restoration costs incurred. The remaining proceeds will be used to replenish the Reserve.

Q. What recovery period is Gulf proposing?

A. Gulf is proposing a recovery period of eight years. This recovery period would mitigate the rate impact on Gulf's customers caused by these storms and allow Gulf to increase the Reserve to cover future storm damage. The impact of this storm-recovery charge on a residential customer using 1,000 kWh would be $1.93 per month. This is less than the $2.71 Ivan Surcharge in effect for the first twelve months of its recovery period through March 2006 ($2.57 for the final twelve months based on the true-up filed January 31, 2006). The 8-year recovery period proposed for the storm-recovery bonds ensures that storm costs are recovered in a timely manner. As I stated above, when the new Storm-Recovery Charge becomes effective, the Ivan Surcharge will be discontinued.

Q. Please describe Schedule 2 of your exhibit.

A. Schedule 2 of my exhibit calculates the annual revenue requirements associated with issuance of the storm-recovery bonds used to determine the storm-recovery charge. Gulf proposes that the storm-recovery charge as defined in the Statute be composed of two elements: the Storm Bond Repayment Charge and the Storm Bond Tax Charge, together the Storm-Recovery Charge. As shown on Schedule 2, the Storm Bond Repayment Charge includes the amount necessary to pay the principal and interest on the storm-recovery bonds, along with ongoing financing costs. Mr. Kim has provided an annual estimate of $355,800 of ongoing costs associated with the bonds. The Storm Bond Tax Charge is simply the amount required to pay income taxes resulting from the collection of the Storm-Recovery Charge. As provided for in the Statute, income taxes are a component of the financing costs associated with the storm-recovery bonds, and financing costs are recoverable through the storm-recovery charge. The other financing costs included in Gulf's request include the upfront bond issuance costs and the ongoing financing costs, which are recovered through the Storm Bond Repayment Charge.

Q. What methodology did you use to allocate costs to each customer rate class?

A. As shown on Schedule 3 of my exhibit, the total revenue requirements to be recovered through the storm-recovery charge for Year 1 were allocated to customer rate classes based on the 12 CP demand methodology used in the cost of service study approved in Gulf's last rate case in Docket No. 010949-EI. The storm-recovery costs Gulf is requesting are almost entirely transmission- and distribution-related costs, which are allocated based on a demand allocator using the 12 CP demand methodology.

Page 2 of Schedule 3 shows the calculation of the demand allocator using updated load information and projected kWh for Year 1. Using this demand allocator, storm-related costs were allocated to the customer rate classes on page 1 of Schedule 3 in a manner consistent with how similar costs were allocated in Gulf's last rate case. This is the appropriate methodology, and is also required by the Statute.

Q. How were the storm-recovery charges calculated for each customer rate class?

A. As shown on Page 1 of Schedule 3 of my exhibit, the recoverable costs allocated to each customer rate class (as described above) were divided by each class's projected kWh sales for Year 1 and then multiplied by an expansion factor to include the impact of the FPSC Assessment Fee and expected amounts that will be uncollected. This calculation results in a cents per kWh storm-cost recovery charge for each customer rate class.

Q. What is the purpose of the expansion factor and how is it calculated?

A. The revenue expansion factor is required in order to reflect the fact that additional revenues must be recovered in order to (1) pay the FPSC Assessment Fee on the Storm-Recovery Charge collections and (2) cover expected write-offs of revenue billed but uncollectible. The calculation of the revenue expansion factor is shown in Note 3 on page 1 of Schedule 3. The Uncollectible Rate used in the calculation is the rate approved in Gulf's last rate case in Docket No. 010949-EI of .2416%. This adjustment to reflect the impact of expected bad-debt write-offs is necessary to ensure that the cash collected through the Storm-Recovery Charge is sufficient to pay the principal and interest on the bonds, along with the associated financing costs, including income taxes.

Q. What is the expected trend in the Storm-Recovery Charge over the length of the recovery period?

A. The storm-recovery bonds have been structured in a manner that is expected to produce stable charges to our customers over time. The revenue requirements projected to be recovered through the Storm-Recovery Charge were designed to increase proportionally with the expected growth in kWh sales to our customers, resulting in a levelized factor over time. However, differences between actual and expected kWh sales and costs accounted for through the true-up mechanism could result in some variation in the charges.

Q. Please describe the proposed tariff sheets related to the Storm Bond Recovery Charge and the Storm Bond Tax Charge.

A. Schedule 4 of my exhibit includes proposed tariff sheet number 6.26. This tariff sheet includes the Storm Bond Recovery Charge, the Storm Bond Tax Charge and the total Storm-Recovery Charge applicable to each customer rate class. As required by the Statute, the tariff sheet includes language indicating the ownership of the charge by the Special Purpose Entity (SPE). In addition, the tariff sheet describes the non-bypassable nature of the Storm-Recovery Charge using language from the definition of "storm-recovery charge" in the Statute.

Q. Are the Storm-Recovery Charges calculated on Schedule 3 subject to change depending on the final terms of the storm-recovery bonds?

A. Yes. The Statute requires that "after the final terms of an issuance of storm-recovery bonds have been established and prior to the issuance of storm-recovery bonds, the electric utility shall determine the resulting initial storm-recovery charge in accordance with the financing order and such initial storm-recovery charge shall be final and effective upon the issuance of such storm-recovery bonds without further commission action." Based on the final terms of the storm-recovery bonds, Gulf will calculate the final Storm Bond Recovery Charge and Storm Bond Tax Charge, revise tariff sheet number 6.26 shown in Schedule 4, and submit it to the FPSC for administrative approval.

Q. What is the expected effective date of the new Storm-Recovery Charge?

A. Gulf is proposing that the Storm-Recovery Charge be effective with Cycle 1 billings in the month following issuance of the storm-recovery bonds. For the purposes of the calculations required in this filing, Gulf has projected that the resulting Storm-Recovery Charge will be effective with Cycle 1 billings for September 2006. This reflects the time frames provided for in the Statute for the issuance of a financing order, along with additional time provided for the issuance of the storm-recovery bonds and establishment of the final Storm-Recovery Charge. The Storm-Recovery Charge (including adjustments through the true-up mechanism) will remain in effect until the storm-recovery bonds have been paid in full or legally discharged, and the other financing costs, including the tax liabilities associated with the Storm-Recovery Charge, have been paid in full or fully recovered. At that point, any remaining amounts held by the SPE (except amounts in the capital subaccount) will be remitted to Gulf and added to the Reserve.

Q. What information regarding the Storm-Recovery Charge will be included on the customers' bills?

A. As required by the Statute, a statement will be included on customers' bills indicating that a portion of the bill represents storm-recovery charges, that the SPE is the owner of the rights to the Storm Bond Repayment Charge, and that the Company is acting as collection agent or servicer for the SPE.

Q. In his testimony, Mr. Labrato discusses the benefits of securitization. Have you quantified these benefits?

A. Yes. As Mr. Labrato stated in his testimony, the only viable alternative to securitization for financing storm-recovery costs of $84.6 million over a longer period of time (thus mitigating the rate impact on our customers) is using a mix of debt and equity in order to maintain the Company's credit quality. Schedule 5 of my exhibit shows the calculation of the savings in financing costs resulting from using securitized debt to finance the storm-related costs compared to a mixture of debt and equity capital. Lines 1 through 6 show the calculation of the total principal and carrying costs that would be required to be recovered from customers based on the debt and equity components of the capital structure and associated cost rates approved in Gulf's last rate case in Docket No. 010949-EI. The calculation of the required rate of return using this mix of capital is shown on Page 2 of Schedule 5. As shown on line 6, the revenue requirements on $84.6 million for 8 years at 12.6823% would be $139 million. This compares to $112 million in principal and financing costs associated with securitization as calculated on lines 7 through 12 of Schedule 5. By issuing securitized debt, Gulf would save its customers approximately $27 million, or approximately 24%, in financing costs.

Q. Mr. Labrato indicated in his testimony that, in the event of a delay in the issuance of storm-recovery bonds pursuant to a financing order, Gulf proposes that a storm surcharge be applied to customers' bills until the issuance of storm-recovery bonds is accomplished. Please describe the calculation of this surcharge and how it would be applied.

A. In order to begin recovering the $54.2 million of storm costs incurred as a result of Hurricanes Dennis and Katrina, Gulf proposes that the Commission implement an interim storm surcharge effective with Cycle 1 billings beginning October 2006 calculated to recover these costs over a 2-year period. The interim surcharge would be discontinued once the storm-recovery bonds were issued and the associated Storm-Recovery Charge became effective. Page 2 of Schedule 7 of my exhibit shows the calculation of the charges by customer rate class necessary to recover costs related to Dennis and Katrina over 24 months, as described in more detail later in my testimony. The impact on a residential customer using 1,000 kWh would be $2.78 in addition to the $2.57 which would then be in place related to the Ivan Surcharge. If the interim surcharge is implemented due to a delay in the issuance of storm-recovery bonds, Gulf will file the appropriate tariff revisions for administrative approval.

Q. The Statute requires that the financing order issued by the Commission include a "formula-based mechanism for making expeditious periodic adjustments" to the storm-recovery charge. What is the purpose of this mechanism?

A. The true-up mechanism required by the Statute provides for "any adjustments that are necessary to correct for any overcollection or undercollection of the charges or to otherwise ensure the timely payment of storm-recovery bonds and financing costs and other required amounts and charges payable in connection with the storm-recovery bonds." Through the true-up mechanism, any differences between actual and expected amounts collected through factors in effect during one period and between actual and estimated Ongoing Financing Costs are reflected in factors set for the upcoming period. This ensures that customers pay the appropriate amount required under the securitization, no more and no less. It also helps to ensure that sufficient amounts are collected to make the required payments to bondholders and other stakeholders in a timely manner.

Q. How will this true-up mechanism work?

A. Pursuant to the Statute, Gulf will make a filing applying the formula-based adjustment mechanism every six months, including adjustments to the Storm-Recovery Charges. Therefore, the Storm Recovery Charges will be in effect for periods of six months at a time (unless the true-up is filed more frequently as discussed below). As shown on my Schedule 6, this filing will compare actual collections to estimated collections (in total, not by customer class) for the current 6-month period. Any over or under collection will be subtracted from or added to the total required collections for the next 6-month period. As required by the Statute, this adjustment to the amount to be collected in the next 6-month period will "ensure the recovery of revenues sufficient to provide for the payment of principal, interest, acquisition, defeasance, financing costs, or redemption premium and other fees, costs, and charges in respect of storm-recovery bonds approved under the financing order." This includes amounts required to replenish the capital subaccount of the SPE for any amounts previously drawn from it. Gulf is requesting that the Commission either approve the true-up adjustment filing or inform the Company of any mathematical error in its calculation within thirty days.

Q. Is Gulf seeking authority to file a true-up more often than every six months if necessary?

A. Yes. Gulf requests the authority to file for a true-up as frequently as quarterly if it is required by the rating agencies to achieve the highest rating possible. In addition, Gulf requests the authority to file a true-up at any time if necessary to more quickly accommodate changes resulting from regulatory actions. As with the six-month filing discussed above, Gulf would seek Commission approval of any such true-up filing within thirty days of the filing.

Q. How will the adjusted revenue requirement for the next 6-month period be reflected in the Storm-Recovery Charge to be applied in that upcoming period?

A. As shown on Schedule 6, a new average Storm Bond Repayment Charge and average Storm Bond Tax Charge will be calculated based on the adjusted revenue requirements for each charge for the upcoming 6-month period. The new Storm Bond Repayment Charge by customer rate class will be derived by multiplying the current charge for each rate class times the new average Storm Bond Repayment Charge divided by the existing average Storm Bond Repayment Charge. The same methodology will be used for the Storm Bond Tax Charge. In other words, the charge for each customer rate class will change in proportion to the increase or decrease in the overall average charge from the current 6-month period to the next. When these charges are modified based on the true-up mechanism, Gulf will submit to the FSPC a revision to tariff sheet number 6.26 for administrative approval.

Q. Could the proposed true-up mechanism change in the future?

A. Yes. Gulf may file an amendment to the true-up mechanism in the event that it is necessary to address material differences between collections and payment requirements. Also, once the true-up mechanism is operating, enhancements or improvements to the mechanism may become apparent and beneficial to implement.

Q. Mr. Labrato indicated in his testimony that Gulf is requesting the approval of an alternative cost recovery plan if the Commission does not issue a financing order approving securitized bonds. Please describe this alternative in more detail.

A. If the Commission does not approve Gulf's request for issuance of storm-recovery bonds, Gulf proposes that the Commission approve two separate surcharges. The first would be for the recovery of storm costs of $54.2 million incurred in 2005 related to Dennis and Katrina (the "2005 Storm Surcharge"). The second would be for the recovery of $70 million to be added to the Reserve to provide for future losses (the "Storm Reserve Surcharge"). As I stated earlier, the calculation of these amounts is included in Mr. McMillan's testimony.

Schedule 7 of my exhibit provides the calculation of the 2005 Storm Surcharge. Page 1 of Schedule 7 calculates the total amount necessary to recover the $54.2 million of Hurricane Dennis and Katrina storm-related costs including interest. Based on a proposed 2-year recovery period beginning August 2006, Gulf projects that interest costs of $1.9 million would be incurred using an estimated incremental short-term borrowing rate of 5.35% applied to the after-tax amount of storm-related costs. The total recovery amount of $56.1 million is allocated to customer rate class on page 2 of Schedule 7 using the same methodology approved in Gulf's last rate case as discussed above. The impact on a residential customer using 1,000 kWh would be $2.78 over the 24-month period beginning with Cycle 1 billings for August 2006.

The second surcharge in Gulf's alternative recovery plan, the Storm Reserve Surcharge, is calculated on Schedule 8. In order to mitigate the rate impact on our customers, Gulf proposes that the $70 million addition to the Reserve be recovered over a 3-year period beginning with Cycle 1 billings in April 2007, which is the first month following the completion of the Ivan Surcharge. Implementation of the Storm Reserve Surcharge immediately following the 24-month period in effect for the Ivan Surcharge serves to lessen the rate impact on our customers. A 3-year recovery period was chosen to ensure that the Storm Reserve Surcharge was no more than the Ivan Surcharge that customers would already be paying. As shown on Schedule 8, the $70 million was allocated to customer rate class using the same methodology approved in Gulf's last rate case. The impact on a residential customer using 1,000 kWh would be $2.25.

Q. Will these storm charges be trued-up and revised annually based on actual collections?

A. No. Under Gulf's proposal, the 2005 Storm Surcharge and the Storm Reserve Surcharge would not be trued-up and adjusted each year. Although these surcharges have been designed to recover the associated costs over two years and three years, respectively, each charge will terminate following the last billing cycle of the month in which the approved level of costs has been recovered. Thus, the actual recovery periods may be slightly longer or shorter than the projected two- and three-year periods. This is consistent with the methodology approved by the Commission in Order No. PSC-05-0937-FOF-EI in Docket No. 041291-EI.

Q. What is the impact on Gulf's customers of the alternative storm recovery plan?

A. Schedule 9 of my exhibit summarizes the impact on Gulf's customers assuming Gulf's alternative recovery plan consisting of the 2005 Storm Surcharge and the Storm Reserve Surcharge is approved. If Gulf's alternative storm recovery plan is approved, Gulf will file the appropriate tariff revisions for administrative approval.

Q. Please summarize your testimony,

A. In my testimony, I have provided the supporting calculations for Gulf's primary request for the issuance of securitized debt to recover Gulf's storm-recovery costs and explained how this cost will be applied to customers. I have also provided the calculation of the surcharges associated with Gulf's alternative request for recovery of storm-related costs. As Schedule 5 and 9 demonstrate, Gulf's primary request is in the best interest of our customers, both in terms of the total costs and rate impacts when compared to our alternative request.

Q. Ms. Ritenour, does this conclude your testimony?

A. Yes.

AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. ________

Before me the undersigned authority, personally appeared Susan. D. Ritenour, who being first duly sworn, deposes, and says that she is the Secretary and Treasurer and Regulatory Manager of Gulf Power Company, a Florida corporation, that the foregoing testimony is true and correct to the best of her knowledge, information, and belief. She is personally known to me.

Susan D. Ritenour

Susan D. Ritenour
Secretary and Treasurer and Regulatory Manager

Sworn to and subscribed before me this 20th day of February, 2006.

Linda C. Webb

Notary Public, State of Florida at Large

NOTARY PUBLIC STATE OF FLORIDA

LINDA C. WEBB
Notary Public-State of FL
Comm. Exp: May 31, 2006
Comm. No: DD 110088

Florida Public Service Commission
Docket No. ______________
GULF POWER COMPANY
Witness: S. D. Ritenour
Exhibit No. _____ (SDR-1)

Index

Florida Public Service Commission
Docket No. ______________
GULF POWER COMPANY
Witness: S. D. Ritenour
Exhibit No. ____ (SDR-1)
Schedule 1

Calculation of Amount of Storm-Recovery Bonds

Line		$
1	Remaining Balance of Costs Associated with Ivan	13,600,000
2	Storm-Recovery Costs Associated with Dennis and Katrina	54,200,000
3	Storm-Recovery Reserve Replenishment	70,000,000
4	Total Storm-Recovery and Reserve Replenishment Costs Subject to Storm-Recovery Bond Financing (Lines 1 through 3)	137,800,000
5	Less: Income Taxes (Line 4 x 38.575%)	53,200,000
6	After-Tax Storm-Recovery Costs and Reserve Replenishment Subject to Storm-Recovery Bond Financing (Line 4 - Line 5)	84,600,000
7	Upfront Bond Issuance Costs (1)	2,600,000
8	Total Amount of Storm-Recovery Bonds (Line 6 + Line 7)	87,200,000

Notes:

(1) Upfront Bond Issuance Costs are the portion of the financing costs that are incurred initially to issue the storm-recovery bonds. Along with the ongoing financing costs and the income taxes associated with the storm-recovery charge, these comprise the total financing costs allowed for recovery pursuant to Section 366.8260, F. S.

Calculation of Revenue Requirements Associated with Securitization (Primary Request)
($000s)

Line		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
	Storm-recovery bonds:									
1	Beginning Principal	87,200								
2	Payment of Principal (1)	7,493	9,413	10,091	10,659	11,194	11,735	12,324	14,291	87,200
3	Ending Principal	79,707	70,294	60,203	49,544	38,350	26,615	14,291	-	
	Storm Bond Repayment Charge Revenues:									
4	Payment of Principal (1)	7,493	9,413	10,091	10,659	11,194	11,735	12,324	14,291	87,200
5	Interest (2)	4,547	3,965	3,474	2,950	2,397	1,816	1,208	551	20,908
6	Ongoing Financing Costs (3)	356	356	356	356	356	356	356	356	2,848
7	Total Cash Collected	12,396	13,734	13,921	13,965	13,947	13,907	13,888	15,198	110,956
8	Charges Billed and Uncollected (4)	2,385	312	177	135	118	111	114	(2,125)	1,227
9	Total Billed Storm Bond Repymt Charges	14,781	14,046	14,098	14,100	14,065	14,018	14,002	13,073	112,183
	Storm Bond Tax Charge Revenues:									
10	Income Taxes (5)	4,502	5,707	6,133	6,490	6,826	7,165	7,535	8,771	53,129
11	Total Storm Bond Tax Charges	4,502	5,707	6,133	6,490	6,826	7,165	7,535	8,771	53,129
12	Total Revenue Requirements (6)	19,283	19,753	20,231	20,590	20,891	21,183	21,537	21,844	165,312

Notes:

(1) Principal payments based on estimated cash collections as shown on Schedule 7 of Mr. Kim's exhibit.
(2) Interest rate of 5.124% as shown on Schedule 6 of Mr. Kim's exhibit.
(3) Ongoing financing costs as shown on Schedule 9 of Mr. Kim's exhibit.
(4) Based upon the collection curve reflecting the delay between the billings and the actual receipt of cash.
(5) Income taxes calculated at 38.575% of revenues collected for principal payment less deduction for amortization of upfront bond issuance costs of $356,000 annually. Pursuant to the Section 366.8260, Florida Statutes, income taxes are included as a component of financing costs, along with the upfront bond issuance costs and the ongoing financing costs.
(6) Excluding amounts required to recover FPSC Assessment Fee and Uncollectible Expense.

Florida Public Service Commission
Docket No. ________-EI
GULF POWER COMPANY
Witness: S. D. Ritenour
Exhibit No. ______ (SDR-1)
Schedule 2

Calculation of Storm Bond Repayment Charge and Storm Bond Tax Charge

Rate Class	A Percentage of 12 CP KW Demand at Generation (1)	B Year 1 Storm Bond Repayment Rev Reqt (2) ($)	C Year 1 Storm Bond Tax Rev Reqt (2) ($)	D Sept 06 - Aug 07 Projected KWH Sales	E Storm Bond Repayment Charge (¢ / KWH) Col B / Col D x revenue expansion factor (3)	F Storm Bond Tax Charge (¢ / KWH) Col C / Col D x revenue expansion factor (3)	G Total Storm Recovery Charge (¢ / KWH) Col E + Col F
RS, RSVP	54.37921%	8,037,790	2,448,151	5,454,318,000	0.148	0.045	0.193
GS	3.01903%	446,243	135,917	313,705,000	0.143	0.043	0.186
GSD, GSDT, GSTOU	22.22598%	3,285,222	1,000,614	2,632,430,000	0.125	0.038	0.163
LP, LPT	13.61180%	2,011,960	612,803	1,884,851,000	0.107	0.033	0.140
PX, PXT, RTP, SBS	6.17774%	913,132	278,122	1,042,009,000	0.088	0.027	0.115
OS - I / II	0.41252%	60,975	18,572	107,316,000	0.057	0.017	0.074
OS-III	0.17372%	25,678	7,821	28,196,000	0.091	0.028	0.119
TOTAL	100.00000%	14,781,000	4,502,000	11,462,825,000	0.129	0.039	0.168

Notes:
(1) Calculated on page 2 of Schedule 3
(2) Per Schedule 2
(3) Calculation of Revenue Expansion Factor

	Percent
Revenue Requirement	100.0000
FPSC Assessment Fee	0.0720
Uncollectible Rate (approved in Gulf's last rate case)	0.2416
Net	99.6864
Revenue Expansion factor (100/99.6864)	1.00315

Calculation of Demand Cost Allocator

Rate Class	A Average 12 CP Load Factor at Meter (1)	B Sept 06 - Aug 07 Projected KWH Sales at Meter	C Projected Avg 12 CP KW at Meter (2) Col B / (8,760 hours x Col A)	D Demand Loss Expansion Factor	E Projected Avg 12 CP KW at Generation Col C x Col D	F Percentage of 12 CP KW Demand at Generation Col E/ Total Col E
RS, RSVP	61.971315%	5,454,318,000	1,004,721.36	1.0053010	1,010,047.39	54.37921%
GS	64.200053%	313,705,000	55,780.44	1.0052978	56,075.95	3.01903%
GSD, GSDT, GSTOU	73.167949%	2,632,430,000	410,706.75	1.0051660	412,828.46	22.22598%
LP, LPT	84.177808%	1,884,851,000	255,608.51	0.9891199	252,827.46	13.61180%
PX, PXT, RTP, SBS	101.650370%	1,042,009,000	117,019.54	0.9805725	114,746.14	6.17774%
OS - I / II	160.732077%	107,316,000	7,621.80	1.0052949	7,662.16	0.41252%
OS-III	100.278526%	28,196,000	3,209.78	1.0052683	3,226.69	0.17372%
TOTAL		11,462,825,000	1,854,668.18		1,857,414.25	100.00000%

Notes:
(1) Average 12 CP load factor based on actual 2003 load research data.
(2) 8,760 is the number of hours in 12 months.

Florida Public Service Commission
Docket No. ________-EI
GULF POWER COMPANY
Witness: S. D. Ritenour
Exhibit No. _____ (SDR-1)
Schedule 3
Page 2 of 2

GULF POWER
A SOUTHERN COMPANY

Section No. VI
Twelfth Revised Sheet No. 6.26
Canceling Eleventh Revised Sheet No. 6.26

RATE SCHEDULE SRC
STORM-RECOVERY CHARGE

PAGE	EFFECTIVE DATE
1 of 1	

The Storm Bond Repayment Charge and the Storm Bond Tax Charge, which together comprise the Storm-Recovery Charge, shall be paid by all customers receiving transmission or distribution service from the Company or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from alternative electric suppliers following a fundamental change in regulation of public utilities in this state. The Storm Bond Repayment Charge and the Storm Bond Tax Charge shall be paid monthly from the effective date of this tariff until the Storm-Recovery Bonds have been paid in full or legally discharged and the other financing costs, including the tax liabilities associated with such charges, have been paid in full or fully recovered.

As approved by the Commission, a Special Purpose Entity (SPE) has been created and is the owner of all rights to the Storm Bond Repayment Charge. The Company shall act as the SPE's collection agent or servicer for the Storm Bond Repayment Charge.

The following charges are included with the Energy-Demand charge of each rate schedule as indicated and are calculated in accordance with the formula approved by the Public Service Commission.

Rate Schedule	Storm Bond Repayment Charge ¢/kwh	Storm Bond Tax Charge ¢/kwh	Total Storm-Recovery Charge ¢/kwh
RS, RSVP	.138	.055	.193
GS	.134	.053	.187
GSD, GSDT, GSTOU	.117	.047	.164
LP, LPT	.100	.040	.140
PX, PXT, RTP, SBS, CSA	.082	.033	.115
OS-I/II	.053	.021	.074
OS-III	.086	.034	.120

Service under this rate schedule is subject to Rules and Regulations of the Company and the Florida Public Service Commission.

ISSUED BY: Susan Story

Financing Cost Savings Related to Securitization vs. Mix of Debt and Equity Capital
($000s)

Line		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
	Calculation of Principal and Carrying Costs on Storm-Related Costs Using Mix of Capital:									
1	Beginning Principal Balance	84,600								
2	Payment of Principal	6,709	7,560	8,518	9,599	10,816	12,188	13,734	15,476	84,600
3	Ending Principal Balance	77,891	70,331	61,813	52,214	41,398	29,210	15,476	-	
	Annual Principal and Carrying Costs:									
4	Payment of Principal	6,709	7,560	8,518	9,599	10,816	12,188	13,734	15,476	84,600
5	Carrying Costs (1)	10,729	9,878	8,920	7,839	6,622	5,250	3,704	1,962	54,904
6	Total Principal and Carrying Costs Using Mix of Capital	17,438	17,438	17,438	17,438	17,438	17,438	17,438	17,438	139,504
	Storm Bond Repayment Charge Revenues (per Schedule 2):									
7	Principal Payment	7,493	9,413	10,091	10,659	11,194	11,735	12,324	14,291	87,200
8	Interest	4,547	3,965	3,474	2,950	2,397	1,816	1,208	551	20,908
9	Ongoing Costs	356	356	356	356	356	356	356	356	2,848
10	Total Cash Collected	12,396	13,734	13,921	13,965	13,947	13,907	13,888	15,198	110,956
11	Charges Billed and Uncollected	2,385	312	177	135	118	111	114	(2,125)	1,227
12	Total Billed Storm Bond Repymt Charges	14,781	14,046	14,098	14,100	14,065	14,018	14,002	13,073	112,183
13	**Savings in Financing Costs Achieved through Issuance of Storm-Recovery Bonds**									27,321

Notes:
(1) Based on Cost of Capital calculated on page 2 of Schedule 5

Calculation of Rate of Return Using Mix of Debt and Equity Capital

Line	Capital Component	Test Year (1) Jurisdictional Capital Structure ($000's)	Ratio %	Cost Rate %	Weighted Cost Rate %	Revenue Requirement Rate %
1	Bonds	423,185	40.3893	6.44	2.6011	2.6011
2	Short-Term Debt	33,714	3.2177	4.61	0.1483	0.1483
3	Preferred Stock	98,680	9.4181	4.93	0.4643	0.7559
4	Common Stock	492,186	46.9749	12.00	5.6370	9.1770
5	Total	1,047,765	100.0000		8.8507	12.6823

Notes:
(1) Based on capital structure and cost rates approved in Gulf's last rate case in Docket No. 010949-EI.

Storm-Recovery Charge True-Up Mechanism Form

Line	Description	Amount
	Storm Bond Repayment Charge	
	True-up for the Current Period Beginning _________ and Ending _________	
1	Current Period Storm Bond Repayment Revenue Requirements	________
	Current Period Actual Cash Receipt Transfers and Interest Income:	
2	Cash Receipts Transferred to the SPE (1)	
3	Interest Income on Subaccounts at the SPE	________
4	Total Current Period Actual Cash Receipts Transfers and Interest Income (Line 2 + Line 3)	________
5	(Over)/Under Collections of Current Period Revenue Requirements (Line 1 - Line 4)	________
	Upcoming Period Beginning _________ and Ending _________	
6	Principal	
7	Interest	
8	Servicing Costs	
9	Other Ongoing Costs	
10	(Over)/Under Collections of Current Period Revenue Requirements (Line 5)	________
11	**Total Bond Revenue Requirements to be Billed During Upcoming Period (Lines 6 through 10)**	________
12	**Forecasted kWh Sales for the Upcoming Period**	
13	**Average Storm Bond Repayment Charge for Upcoming Period (cents per kWh) (Line 11/Line 12)**	
14	Average Storm Bond Repayment Charge for the Current Period (cents per kWh)	
15	Upcoming Period Charge as percent of Current Period Charge (Line 13 /Line 14) * 100	________ %

Storm Bond Repayment Charge by Customer Rate Class for the Upcoming Period (2):

Line	Rate Class	Current Period Charge Cents/kWh	Upcoming Period Charge Cents/kWh(2)
16	RS, RSVP		
17	GS		
18	GSD, GSDT, GSTOU		
19	LP, LPT		
20	PX, PXT, RTP, SBS		
21	OS - I / II		
22	OS-III		

Notes:
(1) Includes actual monthly cash transfers through ___________ and estimates for the remainder of the period.
(2) Current Period Charge x Line 15 for each customer rate class.

Florida Public Service Commission
Docket No. ____________
GULF POWER COMPANY
Witness: S. D. Ritenour
Exhibit No. ___ (SDR-1)
Schedule 6
Page 2 of 2

Storm-Recovery Charge True-Up Mechanism Form

Line	Description	Amount
	Storm Bond Tax Charge	
	True-up for the Current Period Beginning ________ and Ending ________	
1	Current Period Storm Bond Tax Charge Revenue Requirements	
2	Current Period Storm Bond Tax Charge Receipts (1)	________
3	(Over)/Under Collections of Current Period Revenue Requirements (Line 1 - Line 2)	
	Upcoming Period Beginning ________ and Ending ________	
4	Upcoming Period Revenue Requirements (3)	________
5	**Total Bond Revenue Requirements to be Billed During Upcoming Period (Line3 + Line 4)**	________
6	**Forecasted kWh Sales for the Upcoming Period**	
7	**Average Storm Bond Tax Charge for Upcoming Period (cents per kWh) (Line 5/Line 6)**	
8	Average Storm Bond Tax Charge for the Current Period (cents per kWh)	
9	Upcoming Period Charge as percent of Current Period Charge (Line 7 /Line 8) * 100	________ %

Storm Bond Tax Charge by Customer Rate Class for the Upcoming Period (2):

Line	Rate Class	Current Period Charge Cents/kWh	Upcoming Period Charge Cents/kWh(2)
10	RS, RSVP		
11	GS		
12	GSD, GSDT, GSTOU		
13	LP, LPT		
14	PX, PXT, RTP, SBS		
15	OS - I / II		
16	OS-III		

Notes:
(1) Includes actual monthly cash receipts through __________ and estimates for the remainder of the period.
(2) Current Period Charge x Line 9 for each customer rate class.
(3) (Principal Payment - Amortization of Upfront Bond Issuance Costs) x .38575/.61425

Calculation of Total Recovery Amount Related to Hurricanes Dennis and Katrina
(Alternative Request)

	$
Storm-Recovery Costs Associated with Dennis and Katrina (1)	54,200,000
Interest on After-Tax Dennis and Katrina Costs over 2 Years (2)	1,900,000
Total Recoverable Costs With Interest	56,100,000

<u>Notes:</u>
(1) Per Schedule 1
(2) Interest Calculated at Projected Short-Term Financing Rate of 5.35% applied to after-tax balance of storm-recovery costs

Florida Public Service Commission
Docket No. ________-EI
GULF POWER COMPANY
Witness: S. D. Ritenour
Exhibit No. ______ (SDR-1)
Schedule 7
Page 2 of 2

Calculation of 2005 Storm Surcharge (Alternative Request)

	A	B	C	D	E	F	G	H
Rate Class	Average 12 CP Load Factor at Meter (1)	Aug 06 - July 08 Projected KWH Sales at Meter	Projected Avg 12 CP KW at Meter (2) Col B / (17,520 hours x Col A)	Demand Loss Expansion Factor	Projected Avg 12 CP KW at Generation Col C x Col D	Percentage of 12 CP KW Demand at Generation Col E/ Total Col E	Dennis/Katrina Recovery Costs ($)	2005 Storm Surcharge (¢ / KWH) Col G / Col B x revenue expansion factor (3)
RS, RSVP	61.971315%	11,026,105,000	1,015,540.65	1.0053010	1,020,924.03	54.43443%	30,537,716	0.278
GS	64.200053%	633,117,000	56,287.83	1.0052978	56,586.03	3.01710%	1,692,593	0.268
GSD, GSDT, GSTOU	73.167949%	5,325,215,000	415,414.99	1.0051660	417,561.02	22.26385%	12,490,020	0.235
LP, LPT	84.177808%	3,789,593,000	256,957.24	0.9891199	254,161.52	13.55158%	7,602,436	0.201
PX, PXT, RTP, SBS	101.650370%	2,093,837,000	117,570.89	0.9805725	115,286.78	6.14695%	3,448,439	0.165
OS - I / II	160.732077%	216,988,000	7,705.47	1.0052949	7,746.27	0.41302%	231,704	0.107
OS-III	100.278526%	56,730,000	3,229.02	1.0052683	3,246.03	0.17307%	97,092	0.172
TOTAL		23,141,585,000	1,872,706.09		1,875,511.68	100.00000%	56,100,000	0.243

Notes:
(1) Average 12 CP load factor based on actual 2003 load research data.
(2) 17,520 is the number of hours in 24 months.
(3) Revenue Expansion Factor of 1.00315 as calculated on Schedule 3, page 1

Calculation of Storm Reserve Surcharge (Alternative Request)

Rate Class	A Average 12 CP Load Factor at Meter (1)	B April 07-Mar 10 Projected KWH Sales at Meter	C Projected Avg 12 CP KW at Meter (2) Col B / (26,280 hours x Col A)	D Demand Loss Expansion Factor	E Projected Avg 12 CP KW at Generation Col C x Col D	F Percentage of 12 CP KW Demand at Generation Col E/ Total Col E	G Storm Reserve Addition ($)	H Storm Reserve Surcharge (¢ / KWH) Col G / Col B x revenue expansion factor (3)
RS, RSVP	61.971315%	17,044,114,000	1,046,546.09	1.0053010	1,052,093.83	54.56751%	38,197,257	0.225
GS	64.200053%	980,642,000	58,123.23	1.0052978	58,431.16	3.03057%	2,121,399	0.217
GSD, GSDT, GSTOU	73.167949%	8,267,714,000	429,971.04	1.0051660	432,192.27	22.41593%	15,691,151	0.190
LP, LPT	84.177808%	5,770,925,000	260,868.99	0.9891199	258,030.71	13.38293%	9,368,051	0.163
PX, PXT, RTP, SBS	101.650370%	3,160,366,000	118,304.99	0.9805725	116,006.62	6.01676%	4,211,732	0.134
OS - I / II	160.732077%	335,993,000	7,954.31	1.0052949	7,996.43	0.41474%	290,318	0.087
OS-III	100.278526%	86,713,000	3,290.42	1.0052683	3,307.75	0.17156%	120,092	0.139
TOTAL		35,646,467,000	1,925,059.07		1,928,058.77	100.00000%	70,000,000	0.197

Notes:
(1) Average 12 CP load factor based on actual 2003 load research data.
(2) 26,280 is the number of hours in 36 months.
(3) Revenue Expansion Factor of 1.00315 as calculated on Schedule 3, page 1

Florida Public Service Commission
Docket No. ______-EI
GULF POWER COMPANY
Witness: S. D. Ritenour
Exhibit No. ______ (SDR-1)
Schedule 8

Florida Public Service Commission
Docket No. ________________
GULF POWER COMPANY
Witness: S. D. Ritenour
Exhibit No. ____ (SDR-1)
Schedule 9

Summary of Total Residential Storm Surcharges (Alternative Request)
cents per kwh

	April 2006 through July 2006	August 2006 through March 2007	April 2007 through July 2008	August 2008 through March 2010
Ivan Deficit Cost Recovery Surcharge	0.257	0.257		
2005 Storm Surcharge		0.278	0.278	
Storm Reserve Surcharge			0.225	0.225
Total Storm Surcharges	0.257	0.535	0.503	0.225