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Susan D. Ritenour
Secretary and Treasurer
and Regulatory Manager

One Energy Place
Pensacola, Florida 32520-0781

Tel 850.444.6231
Fax 850.444.6026
SDRITENO@southernco.com



June 25, 2012

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COMMISSION
CLERK

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Request to Change AFUDC Rate

Dear Ms. Cole:

Gulf Power Company (Gulf) requests that the Florida Public Service Commission approve a change to the rate Gulf uses to capitalize the allowance for funds used during construction (AFUDC) from 7.65% to 6.26%, effective May 1, 2012. This request is based on the attached Schedules A through C that are consistent with the Commission's approved methodology prescribed in Rule 25-6.0141, Florida Administrative Code, and based on the Company's thirteen-month average capital structure.

Sincerely,

Susan D. Ritenour

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Enclosures

cc: Beggs and Lane
Jeffrey A. Stone, Esq

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FPSC-COMMISSION CLERK

Gulf Power Company
Calculation of AFUDC Rate
Based On April 2012 Earning Surveillance Report and 10.25% ROE

Schedule A

| <u>Class of Capital</u> | <u>Jurisdictional Capital Structure</u> | <u>Ratio</u> | <u>Cost Rate</u> | <u>Weighted Cost Rate</u> |
|-------------------------|---|----------------|------------------|-------------------------------|
| Long Term Debt | 665,863,565 | 40.65% | 5.09 | 2.07 |
| Short-Term Debt | 32,687,428 | 2.00% | 0.40 | 0.01 |
| Preferred Stock | 53,691,971 | 3.28% | 6.33 | 0.21 |
| Customer Deposits | 22,299,723 | 1.36% | 6.26 | 0.09 |
| Common Equity | 620,288,730 | 37.86% | 10.25 | 3.88 |
| Investment Tax Credits | 3,475,432 | 0.21% | | |
| FASB 109 Deferred Taxes | (22,636,527) | -1.38% | | |
| Deferred Taxes | <u>262,510,174</u> | <u>16.02%</u> | | |
| Total | <u>1,638,180,496</u> | <u>100.00%</u> | | <u>6.26</u> |

AFUDC Rate Currently Authorized per order: PSC-08-0263-PAA-EI

7.65 %

Gulf Power Company
13 MONTH AVERAGE CAPITAL STRUCTURE
Based On April 2012 Earning Surveillance Report

SCHEDULE B

| | <u>Balance Per Books</u> | <u>Non Utility Adjustment</u> | <u>Scherer Adjustment</u> | <u>Dividends Declared</u> | <u>Rate Base Adjustments</u> | <u>Adjusted Capital Structure</u> | <u>Jurisdictional Factor</u> | <u>Jurisdictional Capital Structure</u> |
|---------------------|------------------------------|-----------------------------------|-------------------------------|-------------------------------|----------------------------------|---|----------------------------------|---|
| LONG TERM DEBT | 1,215,334,134 | 0.00 | (117,762,239) | 0 | (416,438,179) | 681,133,716 | 0.9775813 | 665,863,565 |
| SHORT-TERM DEBT | 69,523,497 | 0 | (6,696,650) | 0 | (29,389,804) | 33,437,043 | 0.9775813 | 32,687,428 |
| PREFERRED STOCK | 97,998,345 | 0 | (9,495,532) | 0 | (33,579,532) | 54,923,281 | 0.9775813 | 53,691,971 |
| CUSTOMER DEPOSITS | 35,933,546 | 0 | 0 | 0 | (13,633,823) | 22,299,723 | 1.0000000 | 22,299,723 |
| COMMON EQUITY | 1,126,009,323 | (13,314,706) | (109,618,780) | 19,373,077 | (387,935,195) | 634,513,719 | 0.9775813 | 620,288,730 |
| ITC - ZERO COST | 0 | 0 | 0 | 0 | 0 | 0 | 0.9775813 | 0 |
| ITC - WEIGHTED COST | 6,984,900 | 0 | (1,256,193) | 0 | (2,173,573) | 3,555,134 | 0.9775813 | 3,475,432 |
| FASB 109 DIT | (39,759,437) | 0 | 2,446,664 | 0 | 14,157,125 | (23,155,648) | 0.9775813 | (22,636,527) |
| DEFERRED TAXES | 461,080,300 | 0.00 | (28,373,352) | 0 | (164,176,666) | 268,530,282 | 0.9775813 | 262,510,174 |
| TOTAL | <u>2,973,104,608</u> | <u>(13,314,706)</u> | <u>(270,756,082)</u> | <u>19,373,077</u> | <u>(1,033,169,647)</u> | <u>1,675,237,250</u> | | <u>1,638,180,496</u> |

Gulf Power Company
Calculation of Monthly AFUDC Rate
Based on April 2012 Earnings Surveillance Report and 10.25% ROE

Schedule C

The formula used to discount the annual AFUDC rate to reflect monthly compounding is as follows:

$$M = \left\{ \left(1 + \frac{A}{100} \right)^{1/12} - 1 \right\} \times 100$$

Where:

M= Discounted monthly AFUDC rate.

A= Annual AFUDC rate.

Using the requested rate of 6.26%

$$M = \left\{ \left(1 + \frac{6.26}{100} \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ \left(1 + 0.062600 \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ \left(1.062600 \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ 1.00507272 - 1 \right\} \times 100$$

$$M = \left\{ 0.00507272 \right\} \times 100$$

$$M = \underline{\underline{0.507272}}$$