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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 130140-EI

DATED: OCTOBER 22, 2013

COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and eight copies of the testimony of Deborah M. Dobiac on behalf of the Florida Public Service Commission was filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished to the following, by electronic mail, on this 22nd day of October, 2013.

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Docket No. 130140-EI: Petition for rate increase by Gulf Power Company.

Witness: **Direct Testimony of Debra M. Dobiac**, Appearing on Behalf of the Staff of the Florida Public Service Commission

Date Filed: October 22, 2013

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF DEBRA M. DOBIAC**

4 **DOCKET NO. 130140-EI**

5 **OCTOBER 22, 2013**

6 **Q. Please state your name and business address.**

7 A. My name is Debra M. Dobiac. My business address is 2540 Shumard Oak Boulevard,
8 Tallahassee, Florida, 32399.

9 **Q. By whom are you presently employed and in what capacity?**

10 A. I am employed by the Florida Public Service Commission as a Public Utility Analyst II
11 in the Office of Auditing and Performance Analysis.

12 **Q. How long have you been employed by the Commission?**

13 A. I have been employed by the Commission since January 2008.

14 **Q. Briefly review your educational and professional background.**

15 A. I graduated with honors from Lakeland College in 1993 and have a Bachelor of Arts
16 degree in accounting. Prior to my work at the Commission, I worked for 6 years in internal
17 auditing at the Kohler Company and First American Title Insurance Company. I also have
18 approximately 12 years of experience as an accounting manager and controller.

19 **Q. Please describe your current responsibilities.**

20 A. Currently, I am a Public Utility Analyst II with the responsibilities of managing
21 regulated utility financial audits. I am also responsible for creating audit work programs to
22 meet a specific audit purpose.

23 **Q. Have you presented testimony before this Commission or any other regulatory**
24 **agency?**

25 A. Yes. I testified in the Aqua Utilities Florida, Inc. Rate Case, Docket No. 080121-WS;

1 the Water Management Services, Inc. Rate Case, Docket No. 100104-WU; the Gulf Power
2 Company Rate Case, Docket No. 110138-EI; the Water Management Services, Inc. Rate Case,
3 Docket No. 110200-WU and the Gulf Power Company's Hedging Activities, Docket No.
4 130001-EI.

5 **Q. What is the purpose of your testimony today?**

6 A. The purpose of my testimony is to sponsor the staff audit report of Gulf Power
7 Company (Utility or GPC) which addresses the Utility's application for a rate increase. This
8 audit report is filed with my testimony and is identified as Exhibit DMD-1.

9 **Q. Was this audit prepared by you or under your direction?**

10 A. Yes, it was prepared under my direction.

11 **Q. Please describe the work you performed in this audit.**

12 A. We performed the following procedures:

13 We verified, based on a judgmental sample of Utility Plant in Service (UPIS)
14 additions, retirements and adjustments for selected plant accounts, that the Utility's UPIS is
15 properly recorded for the period January 1, 2011 through December 31, 2012. We traced the
16 UPIS adjustments to source documents and noted that they were consistent with the Utility's
17 last rate case order, Order No. PSC-12-0179-FOF-EI, issued April 3, 2012 in Docket 110138-
18 EI. We recalculated a sample of 13-month average balances for UPIS included in the filing.

19 We verified, based on a judgmental sample of Plant Held for Future Use (PHFU)
20 properties presented in the filing, that the PHFU balance is properly stated as of December 31,
21 2012. We reviewed documents describing the planned use for properties in our sample and
22 inquired about changes in use for existing properties. We traced the PHFU adjustments to
23 source documents and noted that they were consistent with the order cited above. We
24 recalculated a sample of 13-month average balances for PHFU included in the filing.

25 We verified, based on a judgmental sample of Construction Work In Process (CWIP)

1 projects included in the filing, that the CWIP balance is properly stated as of December 31,
2 2012. We reviewed Utility documents describing each project sampled to determine whether
3 it was eligible to accrue Allowance for Funds Used During Construction (AFUDC). We
4 verified that projects accruing AFUDC were not included in rate base in the filing. We traced
5 the CWIP adjustments to source documents and noted that they were consistent with the order
6 cited above. We recalculated a sample of 13-month average balances for CWIP included in
7 the filing.

8 We verified, based on a judgmental sample of selected Accumulated Depreciation
9 (AD) accounts, that the AD is properly recorded for the period January 1, 2011 through
10 December 31, 2012, and that the Utility properly restated and used the depreciation rates
11 approved in the Utility's last Depreciation and Dismantlement Study, Order No. PSC-10-
12 0458-PAA-EI, issued July 19, 2010 in Docket No. 090319-EI. We traced the AD adjustments
13 to source documents and noted that they were consistent with the prior rate case order cited
14 above. We recalculated a sample of 13-month average balances for selected AD accounts
15 included in the filing.

16 We verified, based on a judgmental sample of selected accounts, that the Working
17 Capital (WC) balance is properly stated, utility in nature, non-interest bearing, does not
18 include non-utility items, and is consistent with the prior rate case order cited above. We
19 verified, based on a judgmental sample of selected accounts, that the accumulated provision
20 accounts year end balances comply with Rule 25-6.0143, Florida Administrative Code
21 (F.A.C.) – Use of Accumulated Provision Accounts. We recalculated a sample of 13-month
22 average balances for selected WC accounts included in the filing.

23 We reconciled 2012 revenues to the general ledger. We reviewed Commission audits
24 of the Utility's cost recovery clauses, which included recalculations of a sample of customer
25 bills, to ensure that the Utility was using the rates authorized in its approved tariffs. We

1 verified that unbilled revenues were calculated correctly. We traced the revenue adjustments
2 to source documents and noted that they were consistent with Order No. PSC-12-0179-FOF-
3 EI.

4 We verified, based on a judgmental sample of Utility transactions for select Operation
5 & Maintenance (O&M) expense accounts, that the 2012 O&M expenses are adequately
6 supported by source documentation, utility in nature and do not include non-utility items, and
7 are recorded consistent with the Uniform System of Accounts (USOA). We reviewed samples
8 of utility advertising expenses, legal fees, outside service expenses, sales expenses, customer
9 service expenses, and administrative and general service expenses to ensure that amounts
10 supporting non-utility operations were removed. We traced the O&M expense adjustments to
11 source documents and noted that they were consistent with the order cited above. We obtained
12 an analysis from the Utility showing the impact on Utility revenues, Utility expenses, and
13 Utility tax liabilities of the Affordable Health Care Act.

14 We recalculated a judgmental sample of depreciation expense accruals to verify that
15 the Utility is using the correct depreciation rates established in the depreciation study order
16 cited above. We traced the depreciation expense adjustments to source documents and noted
17 that they were consistent with the rate case order cited above.

18 We verified, based on a judgmental sample of transactions for select Taxes Other Than
19 Income (TOTI) accounts, that TOTI expenses are adequately supported by source
20 documentation. We traced the TOTI adjustments to source documents and noted that they
21 were consistent with the order cited above.

22 The Utility's 2012 federal and state tax returns were filed on September 15, 2013. We
23 traced the Utility's net operating income reflected in the MFRs to the general ledger. Audit
24 staff requested a detailed reconciliation of income taxes per the tax return to the income tax
25 expense recorded on the books. This schedule was not completed as of the date of this audit

1 report.

2 We obtained the rate base/capital structure reconciliation and determined that the non-
3 utility adjustments removed in rate base were removed in the capital structure. Audit staff
4 reconciled the cost of capital cost rates for the historical base year to the debt documentation.
5 We obtained a reconciliation of the rate base adjustments in the capital structure and traced it
6 to the MFRs and the general ledger.

7 We developed a five-year (2008 -2012) analytical review that compared the annual
8 percentage change and the 2012 over 2008 total percentage change for the Federal Energy
9 Regulatory Commission (FERC) account balances. Accounts that exhibited significant
10 activity or percentage change, as determined by the auditor, were randomly selected for
11 additional review.

12 Audit staff reviewed the Utility's policies and procedures relating to the recording of
13 affiliate transactions and the cost/allocation manual for employees. During the review of rate
14 base and net operating income, we examined items that were allocated as per the Utility's
15 policies and procedures.

16 We read the FERC audit, dated May 28, 2013 of Southern Company Affiliate
17 Transactions, including its compliance with: 1) cross-subsidization restrictions on affiliate
18 transactions; 2) regulations under the Public Utility Holding Company Act of 2005 and 3)
19 USOA for Public Utilities' accounting for service company billings. Southern agreed with the
20 findings and recommendations in this audit and implemented corrective actions and
21 improvements.

22 We reviewed the internal audits to determine if any adjustments materially affected the
23 historical base year. We noted that the Utility had performed any required corrective action in
24 the applicable follow-up audit. We reviewed the 2012 annual report and associated audit work
25 papers for GPC. The annual report was released on February 27, 2013, and included the

1 unqualified opinion by Deloitte and Touche LLP.

2 We reviewed the Board of Directors (BOD) meeting minutes from January 11, 2011
3 through May 22, 2013, for activities or issues that could affect the Utility in the current rate
4 case proceeding

5 **Q. Were there any audit findings in the audit report, Exhibit DMD-1, which address**
6 **the historical 2012 amounts in the schedules prepared by the Utility in support of its**
7 **filing in the current docket.**

8 A. No.

9 **Q. Does that conclude your testimony?**

10 A. Yes, it does.

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State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Gulf Power Company
Rate Case Audit

Twelve Months Ended December 31, 2012

Docket No. 130140-EI
Audit Control No. 13-207-1-1
September 27, 2013

Handwritten signature of Debra M. Dobiac in black ink.

Debra M. Dobiac
Audit Manager

Handwritten signature of Hymavathi Vedula in black ink.

Hymavathi Vedula
Audit Staff

Handwritten signature of Lynn M. Deamer in blue ink.

Lynn M. Deamer
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Accounting and Finance in its audit service request dated July 30, 2013. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for rate relief in Docket No. 130140-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

GPC/Utility refers to Gulf Power Company

Southern/Parent refers to The Southern Company

FERC refers to the Federal Energy Regulatory Commission

USOA refers to the FERC Uniform System of Accounts as adopted by Commission Rule 25-6.014 – Records and Reports in General, Florida Administrative Code. (F.A.C.)

Background

Gulf Power Company filed a petition for a permanent rate increase on May 9, 2013. GPC has provided electric utility service to its customers since 1926 and now serves more than 436,000 retail customers across 8 counties in Northwest Florida. The Utility is a wholly-owned subsidiary of The Southern Company.

The Utility's last petition for rate relief was granted in Docket No. 110138-EI, in Order No. PSC-12-0179-FOF-EI, Petition for Rate Increase, issued April 3, 2012, and in Order No. PSC-12-0400-FOF-EI, Motion for Reconsideration, issued August 3, 2012. Those orders established and reaffirmed historical rate base and capital structure balances for the Utility as of December 31, 2010.

Objectives: The objectives in this proceeding were to determine whether the Utility's 2012 historic year end filing in Docket No. 130140-EI is consistent and in compliance with Section 366.06 – Rates, Procedures for Fixing and Changing, Florida Statutes (F.S.), and Commission Rule 25-6.043 – Investor Owned Electric Utility Minimum Filing Requirements, F.A.C.

Procedures: We performed the following specific objectives and procedures to satisfy the overall objective identified above.

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether utility plant in service (UPIS) exists and is owned by the utility, additions are authentic and recorded at original cost, proper retirements were made when a replacement asset was put into service, UPIS is properly classified in compliance with the USOA, UPIS balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-12-0179-FOF-EI, and to recalculate the 13-month average balance for UPIS as of December 31, 2012.

Procedures: We verified, based on a judgmental sample of UPIS additions, retirements and adjustments for selected plant accounts, that the Utility's UPIS is properly recorded for the period January 1, 2011 through December 31, 2012. We traced the UPIS adjustments to source

documents and noted that they were consistent with the order cited above. We recalculated a sample of 13-month average balances for UPIS included in the filing. No exceptions were noted.

Property Held for Future Use

Objectives: The objective was to determine the nature and purpose of utility properties recorded as plant held for future use (PHFU) and to disclose material additions or changes to the Utility's planned use for such properties, PHFU balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-12-0179-FOF-EI, and to recalculate the 13-month average balance for PHFU as of December 31, 2012.

Procedures: We verified, based on a judgmental sample of PHFU properties presented in the filing, that the PHFU balance is properly stated as of December 31, 2012. We reviewed documents describing the planned use for properties in our sample and inquired about changes in use for existing properties. We traced the PHFU adjustments to source documents and noted that they were consistent with the order cited above. We recalculated a sample of 13-month average balances for PHFU included in the filing. No exceptions were noted.

Construction Work in Progress

Objectives: The objectives were to determine the nature and purpose of utility projects recorded as construction work in progress (CWIP), and whether projects that are eligible to accrue allowance for funds used during construction (AFUDC) are excluded from rate base pursuant to Commission Rule 25-6.0141, F.A.C. – Allowance for Funds Used During Construction, CWIP balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-12-0179-FOF-EI, and to recalculate the 13-month average balance for CWIP as of December 31, 2012.

Procedures: We verified, based on a judgmental sample of CWIP projects included in the filing, that the CWIP balance is properly stated as of December 31, 2012. We reviewed utility documents describing each project sampled to determine whether it was eligible to accrue AFUDC. We verified that projects accruing AFUDC were not included in rate base in the filing. We traced the CWIP adjustments to source documents and noted that they were consistent with the order cited above. We recalculated a sample of 13-month average balances for CWIP included in the filing. No exceptions were noted.

Accumulated Depreciation

Objectives: The objectives were to determine whether accruals, retirements and adjustments to accumulated depreciation (AD) are properly recorded in compliance with the USOA, to determine whether the Utility used the depreciation rates established in Order No. PSC-10-0458-PAA-EI - Depreciation and Dismantlement study at December 31, 2009, by Gulf Power Company, balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-12-0179-FOF-EI, and to recalculate the 13-month average balance for AD as of December 31, 2012.

Procedures: We verified, based on a judgmental sample of selected AD accounts, that the AD is properly recorded for the period January 1, 2011 through December 31, 2012, and the Utility properly restated and used the depreciation rates approved in the order cited above. We traced

the AD adjustments to source documents and noted that they were consistent with the order cited above. We recalculated a sample of 13-month average balances for selected AD accounts included in the filing. No exceptions were noted.

Working Capital

Objectives: The objectives were to determine whether the working capital (WC) account balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-12-0179-FOF-EI, and the provisions of Rule 25-6.0143, F.A.C. – Use of Accumulated Provision Accounts, and, to recalculate the 13-month average balance for WC as of December 31, 2012.

Procedures: We verified, based on a judgmental sample of selected accounts, that the WC balance is properly stated, utility in nature, non-interest bearing, does not include non-utility items, and is consistent with the order cited above. We verified, based on a judgmental sample of selected accounts, that the accumulated provision accounts year end balances comply with the Commission rule cited above. We recalculated a sample of 13-month average balances for selected WC accounts included in the filing. No exceptions were noted.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether 2012 revenues are properly calculated and recorded in compliance with the USOA and are based on approved tariff rates.

Procedures: We reconciled 2012 revenues to the general ledger. We reviewed Commission audits of the Utility's cost recovery clauses, which included recalculations of a sample of customer bills, to ensure that the Utility was using the rates authorized in its approved tariffs. We verified that unbilled revenues were calculated correctly. We traced the revenue adjustments to source documents and noted that they were consistent with Order No. PSC-12-0179-FOF-EI. No exceptions were noted.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether 2012 operation and maintenance (O&M) expenses are properly recorded in compliance with the USOA, the O&M expenses are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-12-0179-FOF-EI, and were reasonable for ongoing utility operations.

Procedures: We verified, based on a judgmental sample of utility transactions for select O&M expense accounts, that 2012 O&M expense balances are adequately supported by source documentation, utility in nature and do not include non-utility items, and are recorded consistent with the USOA. We reviewed samples of utility advertising expenses, legal fees, outside service expenses, sales expenses, customer service expenses, and administrative and general service expenses to ensure that amounts supporting non-utility operations were removed. We traced the O&M expense adjustments to source documents and noted that they were consistent with the order cited above. We obtained a breakdown of the Affordable Health Care Act and its impact on revenues, expenses, and tax liabilities. No exceptions were noted.

Depreciation and Amortization

Objectives: The objectives were to determine whether 2012 depreciation expense is properly recorded in compliance with the USOA and based on Commission adjustments in the prior rate case in Order No. PSC-12-0179-FOF-EI, and to determine that depreciation expense accruals are calculated using the depreciation rates established in Order No. PSC-10-0458-PAA-EI.

Procedures: We recalculated a judgmental sample of depreciation expense accruals to verify that the Utility is using the correct depreciation rates established in the order cited above. We traced the depreciation expense adjustments to source documents and noted that they were consistent with the order cited above. No exceptions were noted.

Taxes Other than Income

Objectives: The objective was to determine whether 2012 taxes other than income (TOTI) is properly recorded in compliance with the USOA and based on Commission adjustments in the prior rate case in Order No. PSC-12-0179-FOF-EI.

Procedures: We verified, based on a judgmental sample of transactions for select TOTI accounts, that TOTI expenses are adequately supported by source documentation. We traced the TOTI adjustments to source documents and noted that they were consistent with the order cited above. No exceptions were noted.

Income Taxes

Objectives: The objective was to reconcile the federal and state income taxes to the MFRs and the general ledger, and to determine whether deferred income tax expense and the deferred tax balances include proper bonus depreciation treatment of property additions.

Procedures: The Utility's 2012 federal and state tax returns were filed on September 15, 2013. We traced the Utility's net operating income reflected in the MFRs to the general ledger. The Utility's schedule that reconciles the MFR amounts for the taxable income per books, the temporary and permanent differences, and the deferred income tax balances to the tax returns was not completed as of the date of this audit report. No further work performed.

Capital Structure

Objectives: The objectives were to determine whether the non-utility assets supported by the Utility's capital structure were removed in the rate base/capital structure reconciliation, the cost rates used in the computation of the cost of capital are appropriate, the rate base adjustments were adjusted in the capital structure, and to reconcile the Utility book amounts to the MFRs and the general ledger.

Procedures: We obtained the rate base/capital structure reconciliation and determined that the non-utility adjustments removed in rate base were removed in the capital structure. Audit staff reconciled the cost of capital cost rates for the historical base year to the debt documentation. We obtained a reconciliation of the rate base adjustments in the capital structure and traced it to the MFRs and the general ledger. No exceptions were noted.

Other

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's rate case filing using prior years FERC Form 1 filings with the Commission.

Procedures: We developed a five-year (2008 -2012) analytical review that compared the annual percentage change and the 2012 over 2007 total percentage change for the FERC account balances. Accounts that exhibited significant activity or percentage change, as determined by the auditor, were randomly selected for additional review. No exceptions were noted.

Affiliate Transactions

Objectives: The objective was to review intercompany charges to and from divisions, affiliated companies, and non-regulated operations to determine if an appropriate amount of costs were allocated pursuant to Rule 25-6.1351, F.A.C. We were also to determine the original amounts allocated, whether the methodology was reasonable, and to check for accuracy and consistent application.

Procedures: Audit staff reviewed the Utility's policies and procedures relating to the recording of affiliate transactions and the cost/allocation manual for employees. During the review of rate base and net operating income, we examined items that were allocated as per the Utility's policies and procedures. No exceptions were noted.

Federal Energy Regulatory Commission Audit

Objectives: The objective was to determine whether there were any exceptions and disclosures noted in the last FERC audit applicable to this current rate proceeding.

Procedures: We read the FERC audit, dated May 28, 2013 of Southern Company Affiliate Transactions, including its compliance with 1) cross-subsidization restrictions on affiliate transactions, 2) regulations under the Public Utility Holding Company Act of 2005, and 3) USOA for Public Utilities' accounting for service company billings. Southern agreed with the findings and recommendations in this audit and implemented corrective actions and improvements. No further audit work done.

Internal and External Audits

Objectives: The objective was to determine whether there were any exceptions and disclosures noted in any internal or external audits applicable to this current rate proceeding.

Procedures: We reviewed the internal audits to determine if any adjustments materially affected the historical base year. We noted that the Utility had performed any required corrective action in the applicable follow-up audit. We reviewed the 2012 annual report and associated audit work papers for GPC. The annual report was released on February 27, 2013, and included the unqualified opinion by Deloitte and Touche LLP. No exceptions were noted.

Board of Director Meetings

Objectives: The objective was to review the minutes of the Board of Directors.

Procedures: We reviewed the BOD meeting minutes from January 11, 2011 through May 22, 2013, for activities or issues that could affect the Utility in the current rate case proceeding. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: Rate Base

<u>Schedule B-1</u>	ADJUSTED RATE BASE	Page 3 of 3
FLORIDA PUBLIC SERVICE COMMISSION	EXPLANATION: Provide a schedule of the 13-month average adjusted ratebase for the test year, the prior year and the most recent historical year. Provide the details of all adjustments on Schedule B-2.	Type of Data Shown: <input type="checkbox"/> Projected Test Year Ended 12/31/14 <input type="checkbox"/> Prior Year Ended 12/31/13 <input checked="" type="checkbox"/> Historical Year Ended 12/31/12
COMPANY: GULF POWER COMPANY		Witness: S. D. Ritanour
DOCKET NO.: 130140-EI		

Adjusted 13-Month Average Rate Base
(\$000's)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Line No.	Rate Base Components	Total Company per Books	Non-Electric Utility	Electric Utility (3) + (4)	Commission Adjustments Made in Last Case as Applicable (Sch. B-2)	Adjusted per Commission (5)+(6)	Company Adjustments (Sch. B-2)	Total Utility with Commission & Company Adjustments (7) + (8)	Unit Power Sales Rate Base	Total Utility Adjusted for UPS (9) - (10)	Jurisdictional Rate Base Factor	Jurisdictional Utility Adjusted Per Company & Commission (11) x (12)
1	Plant-in-Service	4,048,835	0	4,048,835	(998,452)	3,050,383	0	3,050,383	(368,523)	2,681,860	0.9814230	2,632,039
2	Accumulated Depreciation & Amortization	(1,368,987)	0	(1,368,987)	78,604	(1,292,163)	0	(1,292,163)	115,150	(1,177,033)	0.9804978	(1,154,078)
3	Net Plant-in-Service (1) - (2)	2,679,848	0	2,679,848	(921,648)	1,758,200	0	1,758,200	(253,373)	1,504,827	0.9821468	1,477,961
4	Plant Held for Future Use	15,451	0	15,451	(10,018)	5,435	0	5,435	0	5,436	0.9707452	5,276
5	Construction Work-in-Progress	214,726	0	214,726	(160,443)	54,283	0	54,283	(3,840)	50,443	0.9767680	49,271
6	Plant Acquisition Adjustment	2,414	0	2,414	0	2,414	0	2,414	(2,414)	0		0
7	Net Utility Plant (3)+(4)+(5)+(6)	2,912,439	0	2,912,439	(1,092,107)	1,820,332	0	1,820,332	(258,627)	1,560,705	0.9819332	1,532,508
8	Working Capital Allowance	215,545	(13,218)	202,327	(3,788)	198,541	0	198,541	(12,190)	186,351	0.9769414	182,054
9	Total Rate Base (7) + (8)	3,127,984	(13,218)	3,114,766	(1,085,893)	2,018,873	0	2,018,873	(271,817)	1,747,056		1,714,582

Exhibit 2: Net Operating Income

Schedule C-1

ADJUSTED JURISDICTIONAL NET OPERATING INCOME

Page 3 of 3

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Provide the calculation of the jurisdictional net operating income for the test year, the prior year and the most recent historical year.

Type of Data Shown:

Projected Test Year Ended 12/31/14

Pr or Year Ended 12/31/13

Historical Year Ended 12/31/12

COMPANY: GULF POWER COMPANY

Witness: S. D. Ritenour

DOCKET NO.: 130140-EI

(\$000's)

Adjusted Jurisdictional Net Operating Income Calculation for the Twelve Months Ended

(1) Line No.	(2) Description	(3)	(4) Total Company per Books	(5) Non-Electric Utility	(6) Electric Utility (4) - (5)	(7) Commission Adjustments (Sch. C-3)	(8) Utility Adjusted per Commission (6) + (7)	(9) Company Adjustments (Sch. C-3)	(10) Total Adjusted Utility (8) + (9)	(11) Unit Power Sales Net Operating Income	(12) Total Adjusted Utility net of UPS (10) - (11)	(13) Jurisdictional Separation Factor	(14) Jurisdictional Amount (12) x (13)
1 Operating Revenues:													
2	Sales of Electricity		1,363,071	-	1,363,071	(810,791)	552,280	-	552,280	(59,245)	493,035	0.9754561	480,934
3	Other Operating Revenues		76,825	-	76,825	(48,437)	28,388	-	28,388	-	28,388	0.8675849	24,629
4	Total Operating Revenues		1,439,896	-	1,439,896	(859,228)	580,668	-	580,668	(59,245)	521,423	0.9695832	505,563
5 Operating Expenses:													
6	Recoverable Fuel		572,512	-	572,512	(572,512)	-	-	-	-	-	-	-
7	Recoverable Capacity		45,500	-	45,500	(45,500)	-	-	-	-	-	-	-
8	Recoverable Conservation		20,910	-	20,910	(20,910)	-	-	-	-	-	-	-
9	Recoverable Environmental		25,185	-	25,185	(25,185)	-	-	-	-	-	-	-
10	Other Operation & Maintenance		269,243	-	269,243	(814)	268,429	-	268,429	(7,360)	261,069	0.9806803	256,025
11	Depreciation & Amortization		142,390	-	142,390	(38,607)	103,783	-	103,783	(7,633)	96,150	0.9819407	94,414
12	Amortization of Investment Credit		(1,352)	-	(1,352)	-	(1,352)	-	(1,352)	331	(1,021)	0.9821029	(1,003)
13	Taxes Other Than Income Taxes		97,313	-	97,313	(67,331)	29,982	-	29,982	(1,531)	28,451	0.9786299	27,843
14	Income Taxes												
15	Federal		(92,341)	-	(92,341)	(22,773)	(115,114)	-	(115,114)	15,884	(99,230)	0.9229757	(91,587)
16	State		(2,439)	-	(2,439)	(3,788)	(6,227)	-	(6,227)	445	(5,782)	0.9229757	(5,337)
17	Deferred Income Taxes - Net												
18	Federal		161,110	-	161,110	-	161,110	-	161,110	(27,713)	133,397	0.9229757	123,122
19	State		13,212	-	13,212	-	13,212	-	13,212	(2,412)	10,800	0.9229757	9,968
20	Total Operating Expenses		1,251,243	-	1,251,243	(797,420)	453,823	-	453,823	(29,989)	423,834	0.9754899	413,446
21	Net Operating Income		188,653	-	188,653	(61,808)	126,845	-	126,845	(29,256)	97,589	0.9439301	92,117

Exhibit 3: Capital Structure

Schedule D-1a Page 3 of 3
COST OF CAPITAL 13-MONTH AVERAGE
 FLORIDA PUBLIC SERVICE COMMISSION **EXPLANATION:** Provide the company's 13-month average cost of capital for the test year, the prior year, and historical base year.
 COMPANY: GULF POWER COMPANY
 DOCKET NO.: 130140-EI
 Type of Data Shown:
 Projected Test Year Ended 12/31/14
 Prior Year Ended 12/31/13
 Historical Year Ended 12/31/12
 Witness: S. D. Pitenour

(1) Line No.	(2) Class of Capital	(3) Company Total Per Books (\$000's)	(4) Specific Adjustments (\$000's)	(5) Pro Rata Adjustments (\$000's)	(6) System Adjusted (\$000's)	(7) Jurisdictional Factor %	(8) Jurisdictional Capital Structure (\$000's)	(9) Ratio %	(10) Cost Rate %	(11) Weighted Cost Rate %
1	Long-Term Debt	1,222,347	(109,377)	(428,140)	684,830	0.9811631	671,930	39.19	4.96	1.94
2	Short-Term Debt	72,767	(8,821)	(25,469)	38,477	0.9811631	37,752	2.20	0.38	0.01
3	Preference Stock	97,998	(8,772)	(34,324)	54,902	0.9811631	53,868	3.14	6.33	0.20
4	Common Equity	1,160,164	(99,619)	(407,972)	652,573	0.9811631	640,281	37.34	11.50	4.29
5	Customer Deposits	35,821	-	(13,780)	22,041	1.0000000	22,041	1.29	4.75	0.06
6	Deferred Income Taxes	554,770	(45,092)	(196,062)	313,616	0.9811631	307,709	17.95	0.00	0.00
7	FASB 109 Deferred Taxes	(39,782)	3,234	14,059	(22,489)	0.9811631	(22,066)	-1.29	0.00	0.00
8	Investment Credit - Zero Cost	6,084	(1,036)	(1,942)	3,106	0.9811631	3,047	0.18	8.08	0.01
9	Total	3,110,169	(269,483)	(1,093,630)	1,747,056		1,714,562	100.00		6.51