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February 24, 2016

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

RE: Undocketed

Dear Ms. Stauffer:

Attached for official filing is a Petition of Gulf Power Company for Approval of Regulatory Asset related to the Retirement of Plant Smith Units 1 and 2.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr.".

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

md  
Attachments

cc: Beggs & Lane  
Jeffrey A. Stone

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition of Gulf Power Company for )  
approval of regulatory asset related to the )  
retirement of Plant Smith Units 1 and 2 )

Docket No.:  
Filed: February 24, 2016

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**PETITION OF GULF POWER COMPANY  
FOR APPROVAL OF REGULATORY ASSET  
RELATED TO THE RETIREMENT OF  
PLANT SMITH UNITS 1 AND 2**

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GULF POWER COMPANY (“Gulf Power”, “Gulf”, or “the Company”), by and through its undersigned counsel and pursuant to Rules 25-6.0436(9) and (10), Florida Administrative Code, hereby petitions this Commission for authority to create a regulatory asset related to the retirement of Plant Smith Units 1 and 2.

As grounds for the relief requested by this petition, the Company would respectfully show:

1. Gulf is a utility subject to the jurisdiction of the Florida Public Service Commission pursuant to chapter 366, Florida Statutes. It has principal offices at 500 Bayfront Parkway, Pensacola Florida.

2. Notices and communications with respect to this petition and docket should be addressed to:

Jeffrey A. Stone  
Russell A. Badders  
Steven R. Griffin  
Beggs & Lane  
P. O. Box 12950  
Pensacola, FL 32591

Robert L. McGee, Jr.  
Regulatory and Pricing Manager  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520-0780

3. In 2015, Gulf Power finalized its Mercury and Air Toxics Standards (MATS) rule compliance strategy for each of its coal-fired generating units. As discussed in Gulf’s 2015 Ten

Year Site Plan and in its Environmental Compliance Program Update filed in April 2015, Gulf's extensive evaluation of various MATS compliance options for Plant Smith Units 1 and 2 has resulted in the determination that it is in Gulf's customers' best interests to retire these two coal-fired units. Therefore, after many years of valuable service to Gulf's customers, Plant Smith Units 1 and 2 will be retired on March 31, 2016. Plant Smith Units 1 and 2 were previously scheduled to be retired in 2030 and 2032, respectively.

4. Gulf must make certain entries to its books and records to accurately reflect the early retirement of Plant Smith Units 1 and 2. In addition, Rule 25-6.0436(9)(b), Florida Administrative Code, requires a utility's annual report (filed pursuant to Rule 25-6.135, Florida Administrative Code) to include an annual depreciation status report showing changes to categories of depreciation that will require a revision of rates, amortization or capital recovery schedules. This petition is intended to give notice of such circumstances with regard to Plant Smith Units 1 and 2.

5. Rule 25-6.0436(10) (a), Florida Administrative Code provides that:

Prior to the date of retirement of major installations, the Commission shall approve capital recovery schedules to correct associated calculated deficiencies where a utility demonstrates that (1) replacement of an installation or group of installations is prudent and (2) the associated investment will not be recovered by the time of retirement through the normal depreciation process.

Gulf seeks authority from this Commission to create a regulatory asset and defer recovery of the remaining inventory associated directly with Plant Smith Units 1 and 2 and the remaining Net Book Value of Plant Smith Units 1 and 2 at retirement. The inventory remaining at Plant Smith Units 1 and 2 will consist of parts and equipment that would have been necessary for the continued operation of those units through their previous retirement dates, but that have no

continued use apart from Plant Smith Units 1 and 2. The estimated remaining inventory balance at December 31, 2015 is \$2,852,159. The Net Book Value of Plant Smith Units 1 and 2 at December 31, 2015 is \$61,880,482, which represents the steam production equipment and structures including superstructure, boiler plant equipment, turbine generator, and accessory equipment. Attached to this petition as Exhibit "A" is a schedule presenting the estimated remaining inventory balance, plant balances, accumulated depreciation reserve balances and the calculation of Net Book Value as of December 31, 2015 for Plant Smith Units 1 and 2. Gulf Power proposes to defer recovery and all other capital cost accounting changes associated with the retirement of Plant Smith Units 1 and 2 to a future proceeding(s) contemplated by Commission Order PSC-13-0670-S-EI, Order Approving Stipulation and Settlement Agreement.

6. Gulf Power is not aware of any disputed issues of material fact relating to the matters proposed in this petition.

WHEREFORE, Gulf Power, in accordance with Rules 6.0436(9) and (10), Florida Administrative Code, requests authority to create a regulatory asset to account for the early retirement of Plant Smith Units 1 and 2 consistent with this petition.

Respectfully submitted this 24<sup>th</sup> day of February, 2016,



**JEFFREY A. STONE**

Florida Bar No. 325953

**RUSSELL A. BADDERS**

Florida Bar No. 007455

**STEVEN R. GRIFFIN**

Florida Bar No. 0627569

**Beggs & Lane**

P. O. Box 12950

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(850) 432-2451

**Attorneys for Gulf Power Company**

## Exhibit "A"

Plant Smith Units 1 & 2  
As of December 31, 2015

	A	B	C	D	E
Description	Plant in Service Balance	Accumulated Provision for Depreciation of Electric Plant	Net Book Value (A-B)	Inventory Balance	Total Balance (C+D)
Production - Unit 1	\$ 47,413,601	\$ 25,665,803	\$ 21,747,798		
Production - Unit 2	\$ 55,676,551	\$ 27,527,747	\$ 28,148,803		
Production - Common	\$ 26,043,512	\$ 15,601,593	\$ 10,441,919		
Smith Steam Prod Step-up	\$ 2,033,873	\$ 491,911	\$ 1,541,962		
<b>Total</b>	<b>\$ 131,167,537</b>	<b>\$ 69,287,055</b>	<b>\$ 61,880,482</b>	<b>\$ 2,852,159</b>	<b>\$ 64,732,641</b>