



Rhonda J. Alexander
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July 31, 2017

Mr. Bart Fletcher
Division of Accounting and Finance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Forecasted Earnings Surveillance Report for Calendar Year 2017

Dear Mr. Fletcher:

Attached is Gulf Power Company's Forecasted Earnings Surveillance Report for the calendar year 2017.

Sincerely,

A handwritten signature in blue ink that reads "Rhonda J. Alexander".

Rhonda J. Alexander
Regulatory, Forecasting and Pricing Manager

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Attachments

cc/att.: Office of the Public Counsel
c/o Florida Legislature
111 W. Madison, Rm. 801
Tallahassee FL 32399-1400

GOV 2-1-5-3

FLORIDA PUBLIC SERVICE COMMISSION
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
 GULF POWER COMPANY
 2017

SCHEDULE 1

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments
I. Average Rate of Return				
(JURISDICTIONAL)				
	(a)	(b)		
Net Operating Income	\$195,675,706	(\$67,613,468)	\$128,062,239	\$0
Average Rate Base	\$3,716,158,915	(\$1,329,445,177)	\$2,386,713,738	\$0
Average Rate of Return	5.27%		5.37%	

(a) Includes AFUDC Earnings

(b) Includes Reversal of AFUDC Earnings

III. Required Rates of Return

Average Capital Structure
 (FPSC Adjusted Basis)

Low	5.07%
Midpoint	5.46%
High	5.86%

IV. Financial Integrity Indicators

A. T.I.E. With AFUDC	5.49 x (System per Books Basis)
B. T.I.E. Without AFUDC	5.48 x (System per Books Basis)
C. AFUDC To Net Income	0.27% (System per Books Basis)
D. Internally Generated Funds	69.27% (System per Books Basis)
E. LTD To Total Investor Funds	42.93% (FPSC Adjusted Basis)
F. STD To Total Investor Funds	2.25% (FPSC Adjusted Basis)
G. Return on Common Equity	10.00% (FPSC Adjusted Basis)

	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NUCLEAR FUEL (NET)	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
SYSTEM PER BOOKS	5,156,069,629	1,686,620,542	3,469,449,087	14,754,000	75,177,136		3,559,380,223	285,318,457	3,844,698,680
JURISDICTIONAL PER BOOKS	4,959,976,482	1,643,025,772	3,316,950,710	14,342,083	72,401,437		3,403,694,231	312,464,684	3,716,158,915
FPSC ADJUSTMENTS									
ENVIRONMENTAL COST RECOVERY CLAUSE	(1,527,918,695)	(286,898,763)	(1,239,079,932)		(9,543,878)		(1,248,623,809)	(15,658,460)	(1,264,282,269)
INT BEARING CWIP					(7,132,519)		(7,132,519)		(7,132,519)
ENERGY CONSERVATION CLAUSE	(15,496,223)	7,818,073	(23,314,296)				(23,314,296)	(367,484)	(23,681,780)
LOANS TO EMPLOYEES / RETIREES								(38,638)	(38,638)
INTEREST AND DIVIDENDS RECEIVABLE								(10,508)	(10,508)
FUNDED PROP RES. N. ESCAMBIA & OTHER INV				(12,678,754)			(12,678,754)	(4,616,419)	(17,295,173)
FUEL RELATED DEFERRED DEBITS								(12,315,283)	(12,315,283)
UNAMORTIZED RATE CASE EXPENSES								(4,689,008)	(4,689,008)
TOTAL FPSC ADJUSTMENTS	(1,543,414,917)	(281,020,690)	(1,262,394,228)	(12,678,754)	(16,676,397)		(1,291,749,379)	(37,695,799)	(1,329,445,177)
FPSC ADJUSTED	3,416,561,565	1,382,005,082	2,054,556,483	1,663,329	55,725,040		2,111,944,852	274,768,885	2,386,713,738

TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
AVERAGE RATE OF RETURN
INCOME STATEMENT
GULF POWER COMPANY
2017

	OPERATING REVENUES	O & M FUEL & NET INTERCHANGE	O & M OTHER	DEPRECIATION & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INVESTMENT TAX CREDIT (NET)	(GAIN)/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
SYSTEM PER BOOKS	1,520,263,416	563,880,193	391,782,989	137,486,008	116,160,750	69,551,344	32,668,148	(393,906)		1,311,135,526	209,127,890 (a)
JURISDICTIONAL PER BOOKS	1,369,955,560	449,608,258	382,717,752	132,903,813	115,024,113	64,545,468	30,230,741	(356,994)		1,174,673,151	195,282,408 (a)
LESS FPSC ADJUSTMENTS:											
RETAIL FUEL REVENUES & EXPENSES	(364,979,518)	(364,756,893)				(85,878)				(364,842,770)	(136,747)
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(80,576,824)	(84,851,365)				1,648,904				(83,202,461)	2,625,637
ENERGY CONSERVATION COST REVENUES & EXPENSES	(13,708,615)		(10,799,071)	(429,695)	(486,213)	(769,045)				(12,484,025)	(1,224,590)
ENVIRONMENTAL COST RECOVERY CLAUSE	(216,426,471)		(55,859,955)	(50,942,660)	(6,822,463)	(39,732,788)				(153,157,865)	(63,268,606)
FRANCHISE FEE REVENUE & EXPENSE	(41,834,322)				(41,053,328)	(301,268)				(41,354,596)	(479,725)
GROSS RECEIPTS TAX, REVENUE & ADJUSTMENT	(30,888,232)				(30,707,435)	(69,742)				(30,777,177)	(111,055)
MARKETING SUPPORT ACTIVITIES			(170,292)			65,690				(104,602)	104,602
WHOLESALE EXPENSES			(216,300)			83,438				(132,862)	132,862
INSTITUTIONAL ADVERTISING EXPENSE			(177,670)			68,536				(109,134)	109,134
ECONOMIC DEVELOPMENT EXPENSE			(69,134)			26,668				(42,465)	42,465
MGMT FINANCIAL PLANNING SERVICES			(39,861)			15,378				(24,485)	24,485
DIRECTORS' & OFFICERS' INSURANCE			(73,183)			28,230				(44,952)	44,952
INDUSTRY ASSOCIATION DUES			(1,351)			521				(830)	830
TALLAHASSEE LIAISON EXPENSES			(531,259)		(31,426)	217,056				(345,629)	345,629
GRT, FPSC FEES ON CLAUSES & FEES					(1,381,856)	533,051				(848,805)	848,805
INTEREST SYNCHRONIZATION						6,278,848				6,278,848	(6,278,848)
TOTAL FPSC ADJUSTMENTS	(748,413,981)	(449,608,258)	(67,938,076)	(51,372,355)	(80,282,721)	(31,992,401)				(681,193,812)	(67,220,170)
FPSC ADJUSTED	621,541,578		314,779,676	81,531,458	34,741,392	32,553,067	30,230,741	(356,994)		493,479,340	128,062,239

(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY \$393,298 AND THE JURISDICTIONAL NOI BY \$393,298. TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
AVERAGE RATE OF RETURN
SYSTEM ADJUSTMENTS
GULF POWER COMPANY
2017

SCHEDULE 2
PAGE 3 OF 3

<u>RATE BASE ADJUSTMENTS</u>	<u>AMOUNT</u>	<u>NET OPERATING INCOME STATEMENT ADJUSTMENTS</u>	<u>AMOUNT</u>	<u>TAX EFFECT</u>
ENVIRONMENTAL COST RECOVERY CLAUSE INVESTMENT	(1,572,015,154)	FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(478,399,162)	(184,542,477)
ACCUMULATED DEPRECIATION	297,174,787	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(222,585,401)	(85,862,318)
CWIP	(9,819,319)	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(80,592,171)	(31,088,430)
ENERGY CONSERVATION COST RECOVERY INVESTMENT	(15,496,223)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(13,708,615)	(5,288,098)
ACCUMULATED DEPRECIATION	(7,818,073)	FUEL EXPENSE	(476,405,050)	183,773,248
CWIP	0	PURCHASED POWER CAPACITY COST EXPENSE	(87,285,541)	33,670,397
FAS 143 NET PLANT	(47,400,182)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(11,228,767)	4,331,497
INTEREST BEARING CWIP	(7,282,227)	CONSERVATION EXPENSES - OTHER TAXES	(486,213)	187,557
PHFU - NORTH ESCAMBIA	(13,042,899)	ENVIRONMENTAL COST RECOVERY EXPENSE	(116,687,408)	45,004,453
WORKING CAPITAL:		FRANCHISE FEE REVENUES	(41,834,322)	(16,137,590)
ECRC WORKING CAPITAL	(16,110,370)	FRANCHISE FEE	(41,053,328)	15,836,321
CONSERVATION/AEM INVENTORY	(367,484)	GROSS RECEIPTS TAX REVENUES	(30,888,232)	(11,915,136)
FUNDED PROPERTY RESERVE - NET	0	GROSS RECEIPTS TAX EXPENSE	(30,707,435)	11,845,393
LOANS TO EMPLOYEES AND RETIREES	(39,573)	MARKETING SUPPORT ACTIVITIES	(170,292)	65,690
INTEREST & DIVIDENDS RECEIVABLE	(10,762)	WHOLESALE EXPENSE	(222,598)	85,867
NORTH ESCAMBIA SITE	(4,727,992)	INSTITUTIONAL ADVERTISING EXPENSE	(181,464)	70,000
UNAMORTIZED RATE CASE EXPENSE	(4,802,335)	ECONOMIC DEVELOPMENT EXPENSE	(69,134)	26,668
FUEL RELATED DEFERRED DEBITS	(12,315,283)	MGMT FINANCIAL PLANNING SERVICES	(40,696)	15,699
UNREALIZED LOSS ON FWD CONTRACT	(115,276)	DIRECTORS' & OFFICERS' INSURANCE	(74,716)	28,822
FAS 143 WORKING CAPITAL	58,119,660	INDUSTRY ASSOCIATION DUES	(1,380)	532
FAS 158 REGULATORY ASSETS	(165,316,976)	TALLAHASSEE LIAISON EXPENSE	(574,459)	221,598
FAS 158 REGULATORY LIABILITIES	165,316,976	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,381,856)	533,051
PPA REGULATORY ASSETS	(130,095,434)	COMP SALES\TRANS REV\G/L SALE GAS\PROV RT REFV. ESC REV	(50,695)	(19,556)
PPA REGULATORY LIABILITIES	130,095,434	INTEREST SYNCHRONIZATION	6,883,551	6,883,551
FAS 133 REGULATORY ASSETS	(32,324,786)			
FAS 133 REGULATORY LIABILITIES	32,324,786			

SCHEDULE 3

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
GULF POWER COMPANY
2017

AVERAGE	SYSTEM PER BOOKS	RETAIL PER BOOKS	ADJUSTMENTS		ADJUSTED RETAIL	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
			PRO RATA	SPECIFIC			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	1,195,375,362	1,198,824,589	(428,876,355)	0	769,948,234	32.26	3.96	1.28	3.96	1.28	3.96	1.28
SHORT TERM DEBT	77,630,394	62,761,056	(22,453,000)	0	40,308,056	1.69	0.62	0.01	0.62	0.01	0.62	0.01
PREFERENCE STOCK	67,617,378	64,869,550	(23,206,795)	0	41,662,755	1.75	6.14	0.11	6.14	0.11	6.14	0.11
CUSTOMER DEPOSITS	35,332,888	35,581,538	(12,729,438)	0	22,852,100	0.96	2.30	0.02	2.30	0.02	2.30	0.02
COMMON EQUITY	1,545,350,123	1,466,080,964	(524,486,064)	0	941,594,900	39.45	9.25	3.65	10.25	4.04	11.25	4.44
DEFERRED INCOME TAXES	967,489,779	937,841,454	(335,509,420)	0	602,332,034	25.24						
FASB 109 DEFERRED TAXES	(52,599,269)	(50,986,819)	18,239,988	0	(32,746,831)	-1.37						
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00						
TAX CREDITS - WEIGHTED COST	1,373,046	1,186,562	(424,093)	0	762,469	0.03	6.85	0.00	7.39	0.00	7.93	0.00
TOTAL	3,837,609,701	3,716,158,915	(1,322,145,177)	0	2,393,713,738	100.00		5.07 %		5.46 %		5.86 %

TOTALS MAY NOT ADD DUE TO ROUNDING.

FORECAST ASSUMPTIONS

<u>Customers (Avg.)</u>	<u>2017 Forecast</u>	<u>2016 Actual</u>
Residential	401,216	396,408
Commercial	56,379	55,876
Industrial	253	247
Other	598	608
Total	<u>458,446</u>	<u>453,139</u>

<u>KWH Sales</u>		
Residential	5,290,680,477	5,357,622,737
Commercial	3,782,159,716	3,868,587,919
Industrial	1,702,774,186	1,830,299,128
Other	24,633,333	24,995,618
Inter Departmental	0	0
Total	<u>10,800,247,712</u>	<u>11,081,505,402</u>

See Attached For Additional Information

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

Josh J. Mason
 Name
 Assistant Treasurer, Financial Planning & Budgeting Manager
 Title


 Signature
 7/31/2017
 Date

**FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
GULF POWER COMPANY
2017 FORECAST ASSUMPTIONS**

Attachment to Schedule 5

The forecast of energy sales for 2017 assumes the number of customers is expected to grow in 2017, reflecting continued improvements to the economy in Northwest Florida. Economic projections were from Moody's Analytics May 2016 forecast. Normal weather conditions are assumed for the year. Energy sales and peak demand forecasts include the effects of Gulf's conservation programs and other market place initiatives. The resulting 2017 sales forecast reflects our latest estimate of growth. Base rate revenues were calculated using the FPSC approved rates per Order No. PSC-17-0178-S-EI, issued May 16, 2017.

The forecasted levels of operations and maintenance expense and capital additions are necessary to properly fund the projects and activities required to meet the company's customer service and reliability requirements and compliance with all regulatory and legal requirements. These projections include the estimated impacts of customer growth, changing regulations, changes to business processes and/or requirements and inflation.

The provisions of the Stipulation and Settlement Agreement, as filed in consolidated Docket Nos. 160186-EI and 160170-EI and approved by the Commission in Order No. PSC-17-0178-S-EI dated May 16, 2017, are incorporated herein and implemented in this Forecasted Surveillance Report as set forth in the terms of the Stipulation and Settlement Agreement.

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
FORECAST ASSUMPTIONS
GULF POWER COMPANY
2017

Supplemental Schedule

Projects Estimated To Exceed \$10,000,000 Commencing This Period

<u>Project Description</u>	<u>Estimated Total Cost (\$ 000s)</u>	<u>Construction Start Date</u>	<u>Estimated In - Service Date</u>
PE 0830 ECRC-Water-Crist-U4-7 Dry Bottom Ash	\$ 54,038	January 2017	December 2020