

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval to  
change allowance for funds used  
during construction (AFUDC) rate  
from 7.35% to 7.48% effective  
1/1/03, by Gulf Power Company.

DOCKET NO. 030249-EI  
ORDER NO. PSC-03-0497-PAA-EI  
ISSUED: April 16, 2003

The following Commissioners participated in the disposition of  
this matter:

LILA A. JABER, Chairman  
J. TERRY DEASON  
BRAULIO L. BAEZ  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING A CHANGE IN GULF POWER COMPANY'S ALLOWANCE FOR  
FUNDS USED DURING CONSTRUCTION RATE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service  
Commission that the action discussed herein is preliminary in  
nature and will become final unless a person whose interests are  
substantially affected files a petition for a formal proceeding,  
pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Gulf Power Company's (Gulf or the Company) current Allowance  
for Funds Used During Construction (AFUDC) rate of 7.35% was  
approved in Order No. PSC-01-1159-PAA-EI, issued May 21, 2001, in  
Docket No. 010300-EI. By letter dated March 5, 2003, Gulf requests  
that its AFUDC rate be increased from 7.35% to 7.48% to reflect its  
current capital structure and cost rates. We have jurisdiction  
over this matter pursuant to Chapter 366, Florida Statutes,  
including Sections 366.04, 366.05, and 366.06, Florida Statutes.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

APPROPRIATE AFUDC RATE

Gulf has requested an increase in its AFUDC rate from 7.35% to 7.48%. In support of the new rate, Gulf provided its calculations and capital structure as Schedules A and B attached to its request. We have reviewed these calculations and have determined that the proposed rate was calculated in accordance with Rule 25-6.0141, Florida Administrative Code. Although cost rates for debt, preferred stock, and customer deposits decreased, the requested increase in the AFUDC rate reflects a slight increase in the percentage of long-term debt utilized and an increase in the allowed Return on Equity from 11.50% to 12.00% as provided in Order No. PSC-02-0787-FOF-EI, issued June 10, 2002, in Docket No. 010949-EI.

Order No. PSC-02-0787-FOF-EI provided that a 25 basis point reward was to be added to an 11.75% midpoint and that the "12% ROE shall be used for all regulatory purposes, including, for example, implementing the cost recovery clauses and allowances for funds used during construction."

Based on our review, we find that the requested increase in the AFUDC rate from 7.35% to 7.48% is appropriate, and accordingly we approve the change.

APPROPRIATE MONTHLY COMPOUNDING RATE

Schedule C, attached to Gulf's request, shows the formula used by Gulf to discount the simple interest rate of 7.48% to reflect the effects of compounding monthly. The monthly compounding rate to achieve an annual AFUDC rate of 7.48% is 0.602932%. We recalculated and verified this schedule in accordance with the methodology found in Rule 25-6.0141(3), Florida Administrative Code, and approve the monthly compounding rate of 0.602932%.

EFFECTIVE DATE FOR IMPLEMENTATION OF REVISED AFUDC RATE

Gulf's proposed AFUDC rate was calculated using a 13-month average capital structure for the period ending December 31, 2002. Pursuant to Rule 25-6.0141(5), Florida Administrative Code, "the new AFUDC rate shall be effective the month following the end of the 12-month period used to establish that rate and may not be retroactively applied to a previous fiscal year unless authorized by the Commission." Since a December 31, 2002 period was used to calculate the rate, the effective date shall be January 1, 2003.

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Based on the foregoing, it is

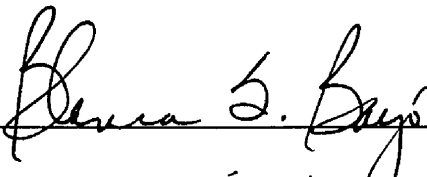
ORDERED by the Florida Public Service Commission that Gulf Power Company's request to increase its AFUDC rate from 7.35% to 7.48% is approved and shall be effective on January 1, 2003. It is further

ORDERED that the appropriate monthly compounding rate shall be 0.602932%. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 16th day of April, 2003.



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BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

( S E A L )

JAR

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 7, 2003.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.