

ORIGINAL



March 5, 2003

030249-EI

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

The Commission authorized Gulf Power Company to modify its Allowance for Funds Used During Construction (AFUDC) rate to 7.35 percent effective January 1, 2001 with Order No. PSC-01-1159-PAA-EI, in Docket No. 010300-EI. There was no response by any party to that order and a consummating order, No. PSC-01-1338-CO-EI was issued on June 19, 2001.

Enclosed are an original and fifteen copies of Gulf's request for approval to increase this AFUDC rate to 7.48 percent effective January 1, 2003. The request is based on calculations shown on attached Schedules A through C that are consistent with the present Commission approved methodology prescribed in Rule 25-6.0141, Florida Administrative Code, and based on the Company's thirteen-month average capital structure on December 31, 2002.

Sincerely,

Susan D. Ritenour
Assistant Secretary and Assistant Treasurer

- AUS lw
- CAF
- CMP
- COM Enclosures
- CTR
- ECR *Stam K...* Beggs and Lane
- GCL Jeffrey A. Stone, Esquire
- OPC
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Gulf Power Company
Calculation of AFUDC Rate
Based On December 2002 Earning Surveillance Report and 12.0% 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	404,521,338	35.26%	6.18	2.18
Short-Term Debt	26,760,844	2.33%	1.92	0.04
Preferred Stock	97,033,571	8.46%	4.55	0.38
Customer Deposits	13,799,760	1.20%	5.61	0.07
Common Equity	460,204,472	40.11%	12.00	4.81
Investment Tax Credits	16,635,194	1.45%		
FASB 109 Deferred Taxes	6,327,959	0.55%		
Deferred Taxes	<u>122,066,859</u>	<u>10.64%</u>		
Total	<u>1,147,349,997</u>	<u>100.00%</u>		<u>7.48</u>

AFUDC Rate Currently Authorized by Order:PSC-01-1159-PAA-EI

7.35%

Gulf Power Company
13 MONTH AVERAGE CAPITAL STRUCTURE
Based On December 2002 Earning Surveillance Report

SCHEDULE B

	<u>Balance Per Books</u>	<u>Non Utility Adjustment</u>	<u>UPS 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	499,088,149	0	(42,675,768)	0	(41,974,882)	414,437,500	0.9760732	404,521,338
SHORT-TERM DEBT	54,076,578	0	0	0	(26,659,737)	27,416,841	0.9760732	26,760,844
PREFERRED STOCK	115,814,270	0	(6,333,462)	0	(10,068,622)	99,412,186	0.9760732	97,033,571
CUSTOMER DEPOSITS	15,569,961	0	0	0	(1,431,923)	14,138,038	0.9760732	13,799,760
COMMON EQUITY	539,970,868	(450,962)	(27,839,183)	7,557,692	(47,752,804)	471,485,611	0.9760732	460,204,472
ITC - ZERO COST	0	0	0	0	0	0	0.9760732	0
ITC - WEIGHTED COST	23,107,887	0	(4,338,769)	0	(1,726,140)	17,042,978	0.9760732	16,635,194
FASB 109 DIT	8,799,116	0	(1,659,421)	0	(656,616)	6,483,079	0.9760732	6,327,959
DEFERRED TAXES	169,735,684	0	(32,010,376)	0	(12,666,185)	125,059,123	0.9760732	122,066,859
TOTAL	1,426,162,513	(450,962)	(114,856,979)	7,557,692	(142,936,909)	1,175,475,356		1,147,349,997

Gulf Power Company
Calculation of Monthly AFUDC Rate
Based on December 2002 Earnings Surveillance Report and 12.0% 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 7.48%

$$M = \left\{ \left(1 + \frac{7.48}{100} \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ \left(1 + 0.074800 \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ \left(1.074800 \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ 1.00602932 - 1 \right\} \times 100$$

$$M = \left\{ 0.00602932 \right\} \times 100$$

$$M = \quad \underline{\underline{0.602932}}$$