BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.	DOCKET NO. 080001-EI ORDER NO. PSC-08-0541-PCO-EI ISSUED: August 18, 2008

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman
LISA POLAK EDGAR
KATRINA J. McMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

ORDER GRANTING GULF POWER COMPANY'S PETITION FOR MID-COURSE CORRECTION

BY THE COMMISSION:

Background

On June 20, 2008, Gulf Power Company (Gulf or Company) filed a petition for a mid-course correction to its Fuel Adjustment Factors. We had previously approved the fuel cost recovery factors for Gulf by Order No. PSC-08-0030-FOF-EI, issued January 8, 2008, in Docket No. 070001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

Gulf requests the mid-course correction following the procedure established by Order No. 13694, issued September 20, 1984, in Docket No. 840001-EI and Docket No. 840003-GU, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor; In re: Purchased gas cost recovery clause, and Order No. PSC-98-0691-FOF-PU, issued May 19, 1998, in Docket No. 980269-PU, In re: Consideration of change in frequency and timing of hearing for the fuel and purchased power cost recovery clause, capacity cost recovery clause, generating performance incentive factor, energy conservation cost recovery clause, purchased gas adjustment (PGA) true-up, and environmental cost recovery clause, and Order No. PSC-07-00333-PAA-EI, issued April 16, 2007, in Docket No. 070001-EI.

Mid-course corrections are part of the fuel proceeding. They are considered preliminary procedural decisions. We take testimony regarding those costs in our November hearing. Any over or under-recoveries caused by or resulting from the new factor adopted by the mid-course correction may be included in the following year's fuel factor. Our jurisdiction to consider fuel clause proceedings derives from our authority to set fair and reasonable rates, Section 366.05, Florida Statutes.

Gulf's Petition for Mid-course Correction

Based on Gulf's actual (January through May) and reprojected (June through December) revenue and expense data for 2008, Gulf expects that its fuel and purchased power costs will be under-recovered by $76,390,153 by the end of 2008. This under-recovery amount is Gulf's estimated December 2008 End-of-Period Total Net True-up. Gulf has based its petition on that estimate's percent of its 2008 estimated Jurisdictional Fuel Revenue Applicable to Period, $415,462,922. The under-recovery percent is 18.39%. The estimated under-recovery is comprised of the difference between the estimated and actual December 2007 End-of-Period Total Net True-up ($13,300,934); the difference between 2008's estimated revenues and estimated expenses ($61,502,126); the estimated 2008 interest on 2007's difference and 2008's monthly true-up balances ($1,705,949); and a prior period revenue adjustment $118,856. Table 1 below presents the calculation of the under-recovery percentage.

TABLE 1 – CALCULATION OF UNDER-RECOVERY PERCENT	
Component	Dollars
2007 True-up	-$13,300,934
2008 Projected Under-recovery	-$61,502,126
2008 Interest	-$1,705,949
Prior Period Revenue Adjustment	$118,856
Estimated 12/08 End of Period Total Net True Up	-$76,390,153
Jurisdictional Fuel Revenue Applicable to 2008	$415,462,922
2008 Mid-Course Percent	18.39%
Source: Schedule E1-B, Mid-Course Petition	

Gulf states that its actual May 2008 End-of-Period Total Net True-up was an under-recovery of $62,435,470. Without its requested mid-course correction, Gulf expects the level of under-recovery to increase during the remaining months of 2008. Gulf asserts that the August 2008 estimate is an under-recovery of $73,198,851, and the December 2008 estimate is an under-recovery of $76,390,153. (August's estimated under-recovery, excluding the proposed deferral, is the amount to be collected between the beginning of September and the end of December). Based on Gulf's current estimates, the under-recovery percent will increase from 15.03% to 17.62% from May to August, and increase from 17.62% to 18.39% from August to December.

According to Gulf, the reason for the projected 2008 under-recovery is that fuel prices have increased to a higher level than the estimated prices upon which it based its current fuel factors. Gulf originally estimated its 2008 fuel costs as of July 7, 2007, and it bases its mid-course request on fuel price estimates made on May 8, 2008.

Gulf states that fuel prices have increased due to the following factors:

- Coal prices increased due to force majeure declarations by an Illinois Basin coal supplier, American Coal Company (American). These events impaired deliveries and caused Gulf to buy approximately 1 million tons of replacement coal on the spot market. On August 9, 2007, American notified Gulf of a force majeure declaration for the Galatia North Mine and on May 15, 2008, American notified Gulf of a force majeure declaration for the New Future Mine. These declarations are due to safety and geological conditions. Gulf states that it has verified that the force majeure events are valid. At the time of its 2008 projection filing, spot market coal prices were substantially above Gulf's contract prices. Prices for spot coal have increased significantly since Gulf's September 2007 projection filing due to increased U.S. coal exports. Also, while Gulf purchases a large percentage of its coal based on long-term contracts, its 2008 projection filing included approximately 10 percent of its 2008 coal purchases as uncommitted spot purchases. Based on the revised projections in its petition, Gulf projects it will burn 5.8 million tons of coal in 2008.

- Gulf states natural gas prices have increased significantly, but Gulf's natural gas cost, net of projected hedging gains in 2008, is less than originally projected. While Gulf is less dependent on natural gas compared to other Florida investor-owned utilities (IOUs), its purchased power costs are primarily based on natural gas. Natural gas prices have increased due to: a projected tightening of supply for filling storage requirements by the end of October 2008; declining Canadian production; and domestic gas prices being lower than prices in Europe and Asia, which diverts LNG cargoes from the U.S and reduces domestic supply. Power generation demands in Europe and Asia have driven a surge in demand for LNG. Domestic production has not grown fast enough to match demand.

Gulf states that it has endeavored to reduce 2008 fuel costs and fuel price volatility. For 2008, the Company asserts that it has hedged portions of its natural gas purchases, which has generated, on an actual and mark to market basis, significant amounts of gains. According to Gulf, these gains reduce but do not eliminate the impact of higher fuel prices.

For 2008, Gulf states its actual and estimated (mark to market) hedging gains for gas are \$13,987,282 as of May 31, 2008. We note the following: (1) these results are as of a single point in time, (2) given volatile markets, the results can vary from day to day, and (3) the goal of Gulf's hedging program is volatility control, such that hedging can result in gains or losses within any given calendar period. We will review in a more comprehensive way the actions taken by Gulf to mitigate fuel costs and price volatility as part of our November fuel clause proceeding.

We have reviewed the key assumptions regarding changes in fuel prices, system efficiency, system generation, fuel mix, and Gulf's assertions regarding the force majeure event. The data used for comparison purposes are the original projections contained in the September 4, 2007, testimony of Gulf witness Rhonda Martin in Docket No. 070001-EI and the mid-course projections filed by Gulf with its petition on June 20, 2008. Gulf used these data to support its reprojected fuel costs and revenue estimates. The comparative data appear in Tables 2-5.

TABLE 2 - CHANGE IN GULF'S 2008 DELIVERED FUEL PRICE FORECAST ($/MMBTU)			
	As filed (9/4/07)	As filed (6/20/08)	% Change
Coal	2.74	3.10	13.1
Natural Gas[1]	10.27	12.06	17.4
Distillate Oil	13.24	15.15	14.4
Source: Schedule E3			

TABLE 3 - CHANGE IN GULF'S 2008 SYSTEM EFFICIENCY (BTU/KWH)		
	As filed (9/4/07)	As filed (6/20/08)
Coal	10,184	10,456
Natural Gas	7,302	7,064
Distillate Oil	21,897	19,699
Weighted Average	9,704	9,927
Source: Schedule E3		

TABLE 4 - CHANGE IN GULF'S 2008 SYSTEM NET GENERATION (MWH) BY FUEL TYPE			
	As filed (9/4/07)	As filed (6/20/08)	Percent Change
Coal excluding Scherer	13,296,860	12,700,113	-4.5
Coal at Scherer	1,418,860	1,267,519	-10.7
Natural Gas	2,944,840	2,581,845	-12.3
Distillate Oil	740	276	-62.7
Total	17,661,300	16,549,753	-6.3
Source: Schedule E3			

As can be seen from Table 2, Gulf projects that its delivered fuel prices will increase above its original projections. Per the mid-course correction filing, 2008 coal prices are projected to be $3.10/MMBtu, an increase of $.36/MMBtu over the September projection. Gulf projects that its natural gas prices for 2008 will be $12.06/MMBtu, an increase of $1.79/MMBtu over the projection filing. The mid-course filing's price estimate for natural gas includes transportation costs and basis.

[1] The delivered gas prices do not reflect the projected hedging gains for 2008.

As indicated in Table 3, Gulf shows a decrease in system efficiency compared to original projections as measured by btu/kwh. Weighted average heat rates increased from 9,704 btu/kwh to 9,927 btu/kwh. We will review heat rates and system efficiency as part of the generating performance incentive factor issues for our November fuel clause hearing.

As indicated in Table 4, Gulf projects that its system generation will decrease by 6.3%. The mid-course projection for system generation shows decreases in coal and natural gas generation.

We identified the sources of the 2008 under-recovery by fuel type, power sales, purchased power, and all other factors, based on kilowatt hour sales. This breakdown is presented in Table 5.

TABLE 5 - ESTIMATED UNDER-RECOVERY AND OVER-RECOVERY BY SOURCE OF KILOWATT HOUR SALES IN 2008		
1	Coal	$(44,893,999)
2	Natural Gas	(3,040,453)
3	Non-fuel Generation[2]	14,059,279
4	Power Sold	(9,606,809)
5	Qualifying Facilities	(1,464,667)
6	Economy Energy	(17,931,629)
7	Territorial kWh Sales (Sum of 1-6)	(62,878,277)
8	Wholesale kWh Sales	(1,917,110)
9	Jurisdictional kWh Sales (Line 7-Line 8)	(60,961,168)
10	Revenue Variance (Wholesale\Jurisdictional\Rate Class)	(243,852)
11	Uncollected True-up and GPIF for 2008	(297,107)
12	Total June 2008 Projected Under-recovery (Sum of 9 – 11)	(61,502,126)
Source – Schedules E1, E1-B, E3, E6, E7, E8, E9 from 9/4/07, 6/20/08 Mid Course filings, and June 25 Data Request Responses.		

Table 5 shows the impact of higher coal prices and other factors in 2008, wherein reprojected 2008 costs exceed reprojected 2008 revenue by $61,502,126.

As shown on Table 5, Gulf projects a significant under-recovery for economy energy purchases. Gulf also projects an under-recovery for power purchased from qualifying facilities. Gulf's purchased power is based primarily on natural gas and is therefore affected by higher gas prices. The higher coal prices due to the force majeure event also move Gulf down in the Southern system's dispatch order and contribute to the under-recovery in power sold.

[2] This amount includes $13,987,282 in natural gas hedging gains, actual and estimated as of May 31, 2008.

Compared with other Florida IOUs, Gulf depends more on coal-fired generation. Electric utilities primarily purchase coal through long-term contracts. When a supplier cannot or does not meet its contractual obligation, utilities may have to find replacement coal in the spot market and pay current market prices. In this case, spot prices for coal have increased significantly during 2008 due to increased U.S. exports of coal. Increasing world-wide demand for coal and the declining value of the dollar have contributed to the increase in U.S. exports. The increase in exports tightens supply and increases coal prices.

Overall, it appears the primary cause for Gulf's projected under-recovery is that its current coal prices are higher than originally projected. The higher coal prices affect coal generation and power sold. The secondary cause is higher natural gas prices causing an under-recovery in purchased power. Gulf's gas hedging gains more than offset the under-recovery in natural gas generation.

Consistent with our review of previous mid-course corrections, our analysis of Gulf's petition includes an examination of whether the assumptions (i.e. fuel prices, retail energy sales, generation mix, and system efficiency) that Gulf used to support its re-projected fuel costs appear reasonable. For purposes of calculating the mid-course correction, it appears that Gulf's assumptions are reasonable. Gulf used these updated assumptions to develop future cost and revenue estimates. During the scheduled November 2008 hearing in this docket, we will compare these estimates to actual data, and then apply the difference to next year's fuel factors through the true-up process. In particular, we will review Gulf's due diligence efforts regarding the force majeure events with its coal supplier. Any over-recovery that Gulf may collect through its approved fuel factors will be refunded to Gulf's ratepayers with interest. We will address whether Gulf's actions to purchase fuels cost-effectively were appropriate, including its actions to hedge fuel prices, at our November 2008 evidentiary hearing.

While the utility is permitted to recover its fuel costs, we retain the discretion to evaluate the rate impact of a mid-course correction upon customers and set rates appropriately. With mid-course corrections in the past, we have considered the stability of fuel factors within the year and between years (e.g. Order No. PSC-03-0382-PCO-EI, Page 9). We have previously noted that stable annual fuel factors are important for customers because stable factors give customers more certainty in planning their expenditures for electricity. However, several issues are in tension with the concept of rate stability. [3]

If fuel costs vary significantly from original projections, then fuel factors will be less representative of costs and customers will not receive accurate price signals regarding the cost of electricity. In the case of actual and projected fuel costs being higher than original projections, an under-recovery will result and, if not corrected, will affect the calculation of subsequent year fuel factors. In times of rising fuel prices, such an under-recovery can compound the rate impact because the subsequent year's fuel factors would reflect both the higher fuel prices and the prior year's under-recovery. In addition, interest would accrue on the under-recovery.

[3] For a discussion of rate stability, see Order No. PSC-98-0691-FOF-PU, page 4. For a discussion of the impacts of deferrals and mid-course corrections, see Order No. PSC-03-0382-PCO-EI, pages 8 and 9.

Consideration of a mid-course change to fuel factors involves balancing the goals of achieving a stable annual fuel factor with the goal of sending accurate price signals to customers. Consistent with past orders, it is appropriate that we consider the rate effects and bill impacts for not only the remaining months of the current year, but also for the next calendar year.

Compared with the recent mid-course correction petitions filed by Progress Energy Florida, Inc. (PEF) and Florida Power & Light Company (FPL), Gulf's under-recovery percentage is significantly larger - 18.39% - compared with 10.84% for PEF and 12.90% for FPL. Gulf's mid-course petition is based on increasing coal prices due to a force majeure event, whereas PEF's and FPL's petitions were based on increasing oil and gas prices. Finally, in contrast with PEF and FPL, Gulf proposes to spread the under-recovery over 2008 and 2009, rather than recover the full amount in the remaining months of 2008.

Table 6 shows the recent trend in Gulf's fuel factors and 1,000 kWh residential bills.

Table 6 – Trend for gulf's fuel factors and residential bills						
	2004	2005	2006	2007	2008 Current	2008 Proposed
Levelized Fuel Cost Recovery Factor, ¢/kWh	2.459	2.822	3.076	3.938	3.954	5.073
Residential 1,000 kWh Bill, $	80.08	85.13	92.48	101.87	102.22	113.76
Source: Orders approving factors issued in December/January 2004-2008, Mid-course Petition Schedule						

As Table 6 indicates, Gulf's fuel factors and Gulf's residential class 1,000 KWH bill increased steadily during 2004 through 2008.

In its petition, Gulf proposed to reduce the rate impact upon customers by recovering the projected under-recovery over the remaining four months in 2008 and the twelve months of 2009. Based on its current projections for fuel, environmental, and capacity costs, Gulf proposes to increase its fuel factors for 2008 to enable it to recover $41,341,302 (52%) of the projected $76,390,153 under-recovery during September through December 2008. The remaining portion of the 2008 under-recovery, $35,048,851, would be deferred to 2009 and recovered through 2009 fuel factors. Recovering 52% of the under-recovery in 2008 and 48% in 2009 would keep the levelized fuel factor approximately the same for the remainder of 2008 and for 2009. Under Gulf's proposal, for 2008, the monthly 1,000 kWh residential bill will increase from $102.22 to $113.76, an increase of $11.54. Gulf expects the January through June 2009 bill to be $116.59, reflecting all clause adjustments. Gulf expects the July through December 2009 bill to be $113.95, reflecting the elimination of the storm cost recovery surcharge.

To allow consideration of all the above points regarding rate impact, Gulf provided estimated bill impacts and associated rates/factors for four possible mid-course correction recovery options. The storm surcharge amount of these bills, $2.57, will end with June 2009 bills pursuant to Gulf's stipulation[4] with parties. Gulf's estimated bill impacts and associated rates/factors are attached as Attachment A. Gulf, in its petition, requested that we approve Option C. The four options are:

> Option A 2008 Recovery: Gulf collects the projected under-recovery amount ($76,390,153) during the last four months of 2008.
>
> Option B 2009 Recovery: Gulf collects the projected under-recovery amount in 2009 fuel factors.
>
> Option C Gulf's Petition: Gulf collects $41,341,302 (52%) of the projected under-recovery during September through December of 2008 and collects the remaining $35,048,851 (48%) in 2009.
>
> Option D Recover Over 16 Months: Gulf collects the projected under-recovery over 16 months, from September 2008 through December 2009.

These four options offer a reasonable range of alternatives from which to consider possible rate adjustments and bill impacts. It is apparent that both the 2009 fuel factor increases and 2009 bill impacts under Options B and D are high relative to Option C. Option A would have lower fuel factors and bills in 2009 compared to Option C but the tradeoff is that Option A would have dramatically higher bills and rates for the last four months of 2008. Option C (52% in 2008, 48% in 2009) suggests step increases in bills in September 2008 and January 2009. Option C's appeal is that it would reduce the full rate impact of higher fuel costs in the short-term while also allowing customers the opportunity to adjust their budgets for the eventual increases in 2009. The drawback for Option C, as with Options B and D, is that additional interest costs will result from the deferral. Option C offers the greatest degree of stability in fuel factor and bills from 2008 to 2009. No matter which option is selected, Gulf's 2009 rates and bills are projected to be higher than any time in the past.

Conclusion

We find that Gulf's basis for requesting the proposed mid-course correction is appropriate. Actual and projected coal and natural gas cost increases indicate that Gulf's current estimated under-recovery is reasonable. We considered four options for implementing the rate adjustments, and find that Option C (Approve the Mid-Course Correction as filed) is the best overall option, especially considering rate stability. Our staff will continue to conduct discovery on the actual and estimated expenditures of Gulf. We will conduct a thorough review of costs in preparation for our November 2008 fuel hearing. Accordingly, to promote rate stability, we approve Gulf's requested mid-course correction to its 2008 fuel factors. Gulf's proposed fuel and purchased power cost recovery factors by rate class for the period September through December 2008 are shown in Attachment B.

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[4] Order No. PSC-06-0601-S-EI, issued July 10, 2006, in Docket No. 060154-EI, In re: Petition for issuance of storm recovery financing order pursuant to Section 366.8260, F.S. (2005), by Gulf Power Company.

Effective Date of New Rates

Gulf has requested that the new factors become effective with the first billing cycle in September 2008. An effective date of the billing cycle in September ensures that all customers are billed under the new factors for the same amount of time. Starting with the first billing cycle in August 2008, Gulf will notify its customers of the mid-course correction through a bill insert. The August mailing date ensures that customers receive a 30-day notice that fuel factors will change starting in September. Specifically, the notice will state Gulf's total under-recovery amount, the effective date of the revised cost recovery factors, and the impact on a 1,000 kWh residential bill. Providing customers with a 30-day notice prior to implementing new fuel factors as a result of a midcourse correction is consistent with our past decisions.[5] Providing 30-days' notice allows customers the opportunity to adjust their usage in light of the new factors. Accordingly, the new factors shall become effective with Gulf's first billing cycle in September 2008.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gulf Power Company's petition for mid-course correction is granted. It is further

ORDERED that Gulf Power Company shall notify its customers as more specifically directed in the body of this Order. It is further

ORDERED that the new factors shall be effective with Gulf Power Company's first billing cycle in September 2008. It is further

ORDERED that this docket is a continuing docket and shall remain open.

By ORDER of the Florida Public Service Commission this 18th day of August, 2008.

Ann Cole

ANN COLE
Commission Clerk

(S E A L)

LCB

[5] See Order No. PSC-07-0739-PCO-EI, issued September 17, 2007, in Docket No. 070001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.

CONCURRING OPINION BY: COMMISSIONER MCMURRIAN

COMMISSIONER KATRINA J. MCMURRIAN concurs with the following opinion:

I concur with the Commission's decision to approve Gulf's petition for a mid-course correction to its 2008 fuel and purchased power cost recovery factors.

On two previous 2008 fuel mid-course requests by Progress Energy Florida, Inc. (PEF) and Florida Power & Light Company (FPL), I dissented from the majority's decisions to approve Option C, which allowed the utilities to collect half of the identified under-recovery during August through December of 2008 and defer collection of the remainder to 2009. Instead, I agreed with Option A, which would have allowed collection of the full projected 2008 under-recovery over the remaining months of 2008. My support for Option A on the PEF and FPL items was premised on several key factors, including accuracy of price signals to customers; the compounding effects of deferring the mid-course correction; substantial projected 2009 increases to non-fuel rates; interest costs associated with deferring the under-recovery; and reduced intergenerational inequity. Finally, Option A appeared to offer the greatest degree of stability in PEF's and FPL's fuel factors from 2008 to 2009.

With respect to Gulf's 2008 fuel mid-course petition, however, I agree that Option C recovery is the most regulatory sound choice in consideration of both short-term and long-term impacts on the consumer. It clearly offers the greatest degree of stability in the fuel factor from 2008 to 2009. Though I still maintain Option A was best for PEF and FPL, I would not apply this method so rigidly such that it leads to unreasonable results for Gulf's ratepayers. Unlike PEF and FPL, Gulf's Option A would require a huge increase in the remainder of 2008 (approximately a $22 increase on a total bill basis for monthly usage of 1,000 kWh), followed by a large decrease in 2009 (an approximate $11-$14 decrease on a total bill basis for monthly usage of 1,000 kWh). Therefore, Option A would appear to produce more erratic and less stable rates than Gulf's proposed Option C.

There are other key differences in Gulf's petition that factor into my support for Option C in this instance. First, Gulf's under-recovery percentage is significantly larger at 18.39% (compared to 10.84% for PEF and 12.90% for FPL). Second, Gulf's petition is based on increasing coal prices due to a force majeure event (whereas PEF's and FPL's were based on increasing oil and natural gas prices). Third, because Gulf is primarily coal-based, it is less susceptible to natural gas price increases compared to other investor-owned utilities. Finally, although Gulf has expected increases in non-fuel expenses in 2009 (environmental and capacity), it has not proposed any nuclear charges or base rate increases, and its storm surcharge will end in 2009, offsetting somewhat the non-fuel increases for at least half of that year.

Given the analysis of all of these factors, I support the Commission's decision in this case to approve Gulf's petition for a mid-course correction using Option C.

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review 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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

GULF POWER COMPANY
RESIDENTIAL BILL COMPARISON
FOR MONTHLY USAGE OF 1000 KWH
PROPOSED FOR THE PERIOD OF: SEPTEMBER 2008 - DECEMBER 2008
AND ESTIMATED FOR: JANUARY 2009
2008 MIDCOURSE ANALYSIS

		OPTION A						OPTION B					
	2008 Current Approved	2008 Recovery Collect $76 in Sep. - Dec. '08						2009 Recovery Collect $0 in 2008 & $76M in 2009					
		Sep. - Dec. 2008	% change	Jan. - Jun. 2009	% change	Jul. - Dec. 2009	% change	Sep. - Dec. 2008	% change	Jan. - Jun. 2009	% change	Jul. - Dec. 2009	% change
Base Rate	$49.30	$49.30	0.0%	$49.30	0.0%	$49.30	0.0%	$49.30	0.0%	$49.30	0.0%	$49.30	0.0%
Fuel Cost Recovery	39.75	61.53	54.8%	48.09	-21.8%	48.09	0.0%	39.75	0.0%	54.53	37.2%	54.53	0.0%
Capacity Cost Recovery	2.71	2.71	0.0%	3.00	10.7%	3.00	0.0%	2.71	0.0%	3.00	10.7%	3.00	0.0%
Energy Conservation Cost Recovery	0.97	0.97	0.0%	0.97	0.0%	0.97	0.0%	0.97	0.0%	0.97	0.0%	0.97	0.0%
Environmental Cost Recovery	4.36	4.36	0.0%	6.75	54.8%	6.75	0.0%	4.36	0.0%	6.75	54.8%	6.75	0.0%
Storm Surcharge	2.57	2.57	0.0%	2.57	0.0%	0.00	-100.0%	2.57	0.0%	2.57	0.0%	0.00	-100.0%
Subtotal	$99.66	$121.44	21.9%	$110.68	-8.9%	$108.11	-2.3%	$99.66	0.0%	$117.12	17.5%	$114.55	-2.2%
Gross Receipts Tax	2.56	3.12	21.9%	2.84	-9.0%	2.77	-2.5%	2.56	0.0%	3.01	17.6%	2.94	-2.3%
Total	$102.22	$124.56	21.9%	$113.52	-8.9%	$110.88	-2.3%	$102.22	0.0%	$120.13	17.5%	$117.49	-2.2%
		2008 Interest $245,870						2008 Interest $564,734					

2009 Interest $3,034	2009 Interest $942,320
Total Interest $248,904	Total Interest $1,507,054

GULF POWER COMPANY
RESIDENTIAL BILL COMPARISON
FOR MONTHLY USAGE OF 1000 KWH
PROPOSED FOR THE PERIOD OF: SEPTEMBER 2008 - DECEMBER 2008
AND ESTIMATED FOR: JANUARY 2009
2008 MIDCOURSE ANALYSIS

		OPTION C						OPTION D					
	2008 Current Approved	Approve Gulf's Petition Collect $41M in Sep. - Dec. '08 & $35M in 2009						Recover over 16 months Collect $76M evenly over 16 months					
		Sep. - Dec. 2008	% change	Jan. - Jun. 2009	% change	Jul. - Dec. 2009	% change	Sep. - Dec. 2008	% change	Jan. - Jun. 2009	% change	Jul. - Dec. 2009	% change
Base Rate	$49.30	$49.30	0.0%	$49.30	0.0%	$49.30	0.0%	$49.30	0.0%	$49.30	0.0%	$49.30	0.0%
Fuel Cost Recovery	39.75	51.00	28.3%	51.08	0.2%	51.08	0.0%	45.74	15.1%	52.93	15.7%	52.93	0.0%
Capacity Cost Recovery	2.71	2.71	0.0%	3.00	10.7%	3.00	0.0%	2.71	0.0%	3.00	10.7%	3.00	0.0%
Energy Conservation Cost Recovery	0.97	0.97	0.0%	0.97	0.0%	0.97	0.0%	0.97	0.0%	0.97	0.0%	0.97	0.0%
Environmental Cost Recovery	4.36	4.36	0.0%	6.75	54.8%	6.75	0.0%	4.36	0.0%	6.75	54.8%	6.75	0.0%
Storm Surcharge	2.57	2.57	0.0%	2.57	0.0%	0.00	-100.0%	2.57	0.0%	2.57	0.0%	0.00	-100.0%
Subtotal	$99.66	$110.91	11.3%	$113.67	2.5%	$111.10	-2.3%	$105.65	6.0%	$115.52	9.3%	$112.95	-2.2%
Gross Receipts Tax	2.56	2.85	11.3%	2.92	2.5%	2.85	-2.4%	2.71	5.9%	2.96	9.2%	2.90	-2.0%
Total	$102.22	$113.76	11.3%	$116.59	2.5%	$113.95	-2.3%	$108.36	6.0%	$118.48	9.3%	$115.85	-2.2%

2008 Interest $393,089	2008 Interest $476,734
2009 Interest $436,698	2009 Interest $683,095
Total Interest $829,787	Total Interest $1,159,829

Fuel Cost Recovery Factors by Rate Schedule

Approved for the period September – December 2008

Group	**Rate Schedules***	**Fuel Cost Factors ¢/KWH**		
		Standard	**Time of Use**	
			On-Peak	**Off-Peak**
A	RS, RSVP,GS, GSD, GSDT, GSTOU, OSIII, SBS(1)	5.100	5.642	4.877
B	LP, LPT, SBS(2)	5.017	5.550	4.797
C	PX, PXT, RTP, SBS(3)	4.975	5.504	4.757
D	OSI/II	5.074	N/A	N/A

*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: (1) customers with a contract demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; (2) customers with a contract demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and (3) customers with a contract demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.