

**Eric Fryson**

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**Sent:** Monday, July 02, 2012 4:06 PM  
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**Subject:** E-filing - Docket 110138-EI  
**Attachments:** Description of changes as required by Order No. PSC-12-0179-FOF-EI.PDF

a. Person responsible for this electronic filing:

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- b. Docket 110138-EI - In re: Petition for increase in rates by Gulf Power Company.
- c. Documents being filed on behalf of Gulf Power Company
- d. Gulf Power Company's letter consists of 4 pages
- e. The document attached for electronic filing is a letter describing the changes to Gulf's books and records and adjustments to the Company's Earnings Surveillance Report filed monthly with the Commission as a result of Order No. PSC-12-0179-FOF- EI

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FPSC-COMMISSION CLERK

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July 2, 2012

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

Re: Docket No. 110138-EI

Dear Ms. Cole:

On April 3, 2012, the Florida Public Service Commission ("the Commission") issued Order No. PSC-12-0179-FOF-EI ("the Order") in the Gulf Power Company ("the Company") rate case, Docket No. 110138-EI. Page 128 of the Order states:

ORDERED that Gulf Power Company shall file, within 90 days after the date of the Final Order in this docket, a description of all entries or adjustments to its annual report, earnings surveillance reports, and books and records that will be required as a result of the findings made in this case.

Following is a description of the changes to Gulf's books and records and adjustments to the Company's Earnings Surveillance Report filed monthly with the Commission as a result of the Order.

DEPARTMENT OF REVENUE

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I. Changes to Books and Records

The following represents changes that are being made to the Company's books and records as a result of the Order. The term 'books and records' is meant to include annual reports, financial statements, general ledger and accounting systems of the Company.

1. Depreciation Expense Changes – Effective April 2012, Gulf established a depreciation rate to reflect a 15-year life for AMI meters and an 8-year capital cost recovery schedule to address the retirement of the non-AMI meters.
2. Crist Units 6 & 7 Turbine Upgrades – Effective January 1, 2012, Gulf excluded the related costs from the Environmental Cost Recovery Clause. These costs are now included in base rates pursuant to the Order.
3. North Escambia Site Carrying Costs – In February 2012, \$2.7 million of deferred carrying costs were reversed and charged to income.
4. Plant Held for Future Use (PHFU) – Land at the SanDestin Substation and the Panama City Training Facility was moved from PHFU to Plant-in-Service in April and November 2011, respectively.
5. Rate Case Expense – Effective April 2012, \$2,800,000 of rate case expense will be amortized to O&M over a four year period.
6. Rates and Charges – Effective April 11, 2012, Gulf's billing system was revised to reflect the changes in rates and charges specified in the Order.

DOCUMENT NUMBER DATE

04413 JUL-2 02

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II. Cost Recovery Clause Return on Investment Calculations

Effective April 11, 2012, Gulf began calculating the return on investment for assets recovered through the Conservation and Environmental cost recovery clauses using the weighted cost of capital approved by the Commission in this docket.

III. Earnings Surveillance Report Adjustments

The following represents the additional adjustments included in Gulf's Earnings Surveillance Report beginning in April 2012. All other Commission adjustments were adjustments to the Company's requested test year forecast amounts.

1. Unamortized Rate Case Expenses – An adjustment to remove the unamortized portion of the deferred rate case expense from working capital.
2. North Escambia PHFU/Deferred Debit – An adjustment to remove the North Escambia site costs from rate base. This item is currently the subject of Gulf Power's Motion for Reconsideration which has yet to be decided by the Commission.
3. Return on Equity – Gulf's cost of capital has been revised to be consistent with the Commission's approved ROE of 10.25%.
4. Directors & Officers (D&O) Liability Insurance – An adjustment to remove 50% of D&O Liability Insurance expense from Net Operating Income.

Sincerely,

*Susan D. Ritener*

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Enclosures

cc: Beggs & Lane  
Jeffrey A. Stone, Esq.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition for Increase in Rates  
by Gulf Power Company

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)  
Docket No. 110138-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail the 2<sup>nd</sup> day of July, 2012, on the following:

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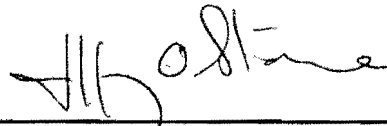
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