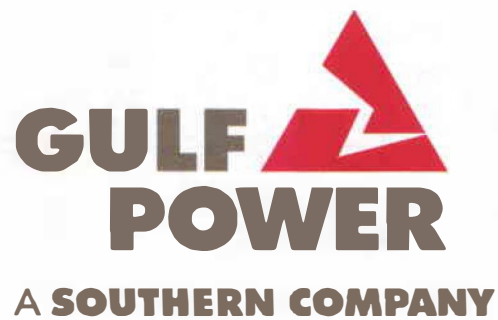


**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 130140-EI



**TESTIMONY AND EXHIBIT
OF
SUSAN D. RITENOUR**

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GULF POWER COMPANY

**Before the Florida Public Service Commission
Prepared Direct Testimony of
Susan D. Ritenour
Docket No. 130140-EI
In Support of Rate Relief
Date of Filing: July 12, 2013**

Q. Please state your name and business address.

**A. My name is Susan Ritenour. My business address is One Energy Place,
Pensacola, Florida 32520.**

Q. By whom are you employed?

**A. I am employed by Gulf Power Company (Gulf or the Company) as
Corporate Secretary, Treasurer and Corporate Planning Manager.**

**Q. What are your responsibilities as Gulf's Corporate Secretary, Treasurer and
Corporate Planning Manager?**

**A. I am responsible for Gulf's overall planning and budgeting process and the
resulting financial forecast. This includes the ongoing development and
maintenance of the Construction Budgeting System and other financial
forecasting models and projections. The Corporate Planning Department
also provides decision support and financial analyses for Gulf's
management and business units. In addition, I am responsible for various
treasury and corporate secretary activities.**

1 Q. Please describe your educational and professional background.

2 A. I graduated from Wake Forest University in Winston-Salem, North Carolina
3 in 1981 with a Bachelor of Science Degree in Business and from the
4 University of West Florida in 1982 with a Bachelor of Arts Degree in
5 Accounting. I am also a Certified Public Accountant licensed in the State of
6 Florida. I joined Gulf in 1983 as a Financial Analyst and have held various
7 positions of increasing responsibility, including Computer Modeling Analyst,
8 Senior Financial Analyst, Supervisor of Rate Services, and Assistant
9 Secretary and Assistant Treasurer. Prior to assuming my current
10 responsibilities in September 2012, I held the position of Secretary and
11 Treasurer and Regulatory Manager since September 2003.

12
13 Q. What is the purpose of your testimony?

14 A. The purpose of my testimony is to provide an overview of Gulf's rigorous
15 planning and budgeting process and to present the calculation of the rate
16 relief requested by Gulf in this proceeding.

17
18 Gulf's annual planning and budgeting process results in a financial forecast
19 on which the Company relies to make decisions about how to provide
20 efficient and reliable service to its customers. I will describe the Capital
21 Additions and Operations and Maintenance (O&M) budget processes,
22 identify the component budgets used in developing the financial forecast,
23 and outline the assumptions used in developing Gulf's financial forecast.
24 The financial forecast is used by Gulf's management for a variety of

25

1 purposes, and in this instance is also the basis for Gulf's projected data for
2 the 2014 test year used in this rate case.

3

4 Using this financial forecast and the jurisdictional factors from the cost-of-
5 service study discussed by Gulf Witness O'Sheasy, I develop the test year
6 jurisdictional adjusted rate base, net operating income and capital structure,
7 and calculate the resulting retail base rate revenue deficiency, which the
8 Company has identified in this filing. I also discuss the adjustments related
9 to the Unit Power Sales (UPS) from Scherer Unit 3 and present and support
10 the general plant capital additions budget and investment.

11

12 Finally, I discuss the recovery through rates of the compliance-related
13 transmission costs Gulf will incur in order to comply with the Mercury and
14 Air Toxics Standards (MATS), and I calculate the step increase that Gulf is
15 requesting if these costs are not approved for recovery through the
16 Environmental Cost Recovery Clause (ECRC).

17

18 Q. Are you sponsoring any exhibits?

19 A. Yes. I am sponsoring Exhibit SDR-1, Schedules 1 through 25 and Exhibit
20 SDR-2, Schedules 1 through 3. Exhibits SDR-1 and SDR-2 were prepared
21 under my supervision and direction, and the information contained in the
22 exhibits is true and correct to the best of my knowledge and belief.

23

24

25

1 Q. Are you also sponsoring any of the Minimum Filing Requirements (MFRs)
2 filed by Gulf?

3 A. Yes. The MFRs that I sponsor in their entirety and that I jointly sponsor are
4 listed on Schedule 1 of Exhibit SDR-1. To the best of my knowledge and
5 belief, all of the information presented in the MFRs that I sponsor or co-
6 sponsor is true and correct.

7
8

9 **I. GULF'S PLANNING AND BUDGETING PROCESS**

10

11 Q. Please provide an overview and description of Gulf's planning and
12 budgeting process.

13 A. Gulf's planning and budgeting process is an ongoing process that is
14 designed to help the Company achieve operational and financial goals and
15 objectives, while taking into account economic and financial conditions.
16 This process produces a budget for the current year and a budget forecast
17 for the four subsequent years. These are utilized by management as tools
18 for evaluating and making decisions to ensure the Company provides
19 efficient and reliable service to its customers. The annual 2013 Budget and
20 Forecast, including the forecasted financial statements for the test year, is
21 the basis for Gulf's projected data for the 2014 test year used in this rate
22 case. Both the 2013 and 2014 budgeted levels of O&M and Capital
23 Additions from the 2013 Budget and Forecast are reasonable, prudent and
24 necessary. The budgeting process for 2013 was consistently applied and

25

1 produced reliable results which are suitable for establishing the revenue
2 requirements for the 2014 test year.

3

4 Q. Please describe Schedule 2 of your Exhibit SDR-1.

5 A. Schedule 2 of Exhibit SDR-1 is a flow chart of Gulf's annual planning and
6 budgeting process. There are eight component budgets, which are shaded
7 on Schedule 2, that are incorporated into Gulf's financial forecast.
8 Preparation of the Customer, Energy, and Demand budgets begins the
9 process, and these budgets are used as inputs in the derivation of the
10 Revenue, Fuel, Interchange, Capital Additions and O&M budgets. I am
11 responsible for the financial forecast, which integrates the eight component
12 budgets, along with various other financial assumptions and estimates, and
13 results in projected financial statements. I then use these financial
14 statements to develop the net operating income, rate base, capital structure
15 and revenue requirements that Gulf is requesting in this filing.

16

17 Q. Who will testify on the preparation of the component budgets in Gulf's
18 financial forecast?

19 A. The Customer, Energy, Demand, and Revenue Budgets are the
20 responsibility of Gulf Witness Alexander. Gulf Witnesses Grove, Caldwell,
21 McQuagge, and I will discuss the Capital Additions Budget. Gulf Witnesses
22 Neyman, Strickland, Erickson, Garvie, and McMillan, along with Mr. Grove,
23 Mr. Caldwell, and Mr. McQuagge will discuss the O&M Budget. Gulf
24 Witness Burroughs is responsible for the Fuel Budget, and Mr. Grove is
25 responsible for the Interchange Budget.

1 Q. Please describe the annual planning and budgeting process.

2 A. The annual planning and budgeting process is administered by the
3 Corporate Planning and Budgeting departments under the direction of the
4 Chief Financial Officer (CFO), Mr. Teel.

5
6 The Corporate Planning and Budgeting departments work together to
7 establish the budget schedule, develop the Budget Message, which is
8 submitted to the CFO for review and approval, and transmit the Budget
9 Message on behalf of the CFO. Corporate Planning and Budgeting also
10 coordinate the Capital Additions and O&M Budget processes, respectively,
11 ensuring that all personnel involved with the processes are kept informed of
12 the key assumptions, goals and any strategic issues facing the Company.
13 In addition, Corporate Planning inputs information from the eight component
14 budgets, along with other financial assumptions and estimates, into the
15 financial model. Finally, Corporate Planning is responsible for the ongoing
16 process of analyzing and maintaining the financial model logic and inputs to
17 ensure the most accurate forecast based on current assumptions.

18

19 Q. Please describe the role of the Corporate Planning and Budgeting
20 departments in preparation of the Capital Additions and O&M component
21 budgets.

22 A. The Corporate Planning and Budgeting departments are responsible for
23 establishing a process for the preparation of the Capital Additions and O&M
24 Budgets, for administering the process under the direction of the CFO and
25 for preparing the summaries, comparisons, and other information that may

1 be requested. The Executive Management Team (the Chief Executive
2 Officer and the four vice presidents) reviews and approves these Budgets.
3 Schedule 3 of Exhibit SDR-1 is a flow chart outlining the Capital Additions
4 and O&M Budget process.

5
6 Q. One of the initial steps in the budget process described on Schedule 3 of
7 Exhibit SDR-1 is the Budget Message. Please describe the Budget
8 Message.

9 A. Each year, to begin the O&M and Capital Additions Budget process, the
10 Budget Message is provided by the CFO to the Planning Units, which are
11 organizations within the Company that have budget responsibilities. The
12 Budget Message provides budget guidelines, assumptions and other
13 information to be used in the budget preparation process. Corporate
14 Planning and Budgeting assist the CFO in developing the information
15 included in the Budget Message.

16
17 Q. Does the Budget Message include a rate of inflation?

18 A. Yes. The inflation rates for 2013 and 2014 included in the Budget Message
19 were 2.7 percent and 2.5 percent, respectively. These rates of inflation
20 were based upon forecast data for the Consumer Price Index (CPI)
21 obtained from Moody's Analytics.

22
23 Q. How is the rate of inflation used by Gulf in the preparation of its O&M
24 Budget?

25 A. The inflation rate is provided as part of the Budget Message as an aid to

1 Planning Units in the development of their budget details. However,
2 justification of O&M expenses by the Planning Units requires more than
3 mere escalation by the CPI or any other measure of inflation. Each
4 Planning Unit develops its O&M budget by examining the activities
5 necessary to meet its goals and objectives, not by simply escalating costs
6 associated with prior periods.
7

8 Q. Describe the budget process after the issuance of the Budget Message.

9 A. This is a multi-step, iterative process. Upon receipt of the Budget Message,
10 each Planning Unit follows its own internal process to prepare its O&M and
11 Capital Additions Budgets. Those internal processes are described in the
12 testimony of other witnesses. However, there is a common element among
13 the processes used by each individual Planning Unit – each Planning Unit
14 closely examines and analyzes the activities necessary to accomplish its
15 goals and objectives and then builds the budgets necessary to meet these
16 responsibilities. Each Planning Unit prepares the detailed budgets that
17 support its goals and objectives. The Vice President for each Planning Unit
18 reviews and, if necessary, modifies that function's budgets prior to the
19 submission of the Planning Unit's budgets to the Corporate Planning and
20 Budgeting departments.
21

22 Corporate Planning and Budgeting review submittals for consistency with
23 the Budget Message and compile the data for review by the CFO and the
24 other executives. Any changes resulting from the executive review and
25 approval process are communicated to the Planning Unit by Corporate

1 Planning or Budgeting. The final approved budgets for O&M and Capital
2 Additions are summarized and communicated to the Planning Units in a
3 letter from the CFO.
4

5 Q. Please describe Gulf's Capital Additions Budget.

6 A. The Capital Additions Budget consists of Plant Expenditures (PEs) for
7 investments that are categorized by function as Production, Transmission,
8 Distribution, and General Plant. The PEs are further identified as Specific
9 PEs and Blanket PEs. Specific PEs are generally individual projects costing
10 \$50,000 or more that require expenditures in one or more years. Blanket
11 PEs reflect repetitive expenditures based on historical trends and projected
12 customer growth, such as pole replacements and transformers, that are not
13 identified as individual or separate projects at the time the budget is
14 prepared.
15

16 Q. Who is responsible for developing PEs?

17 A. Planning Units are responsible for developing the PEs for their areas. The
18 majority of the PEs are prepared under the direction of Mr. Grove,
19 Mr. Caldwell, and Mr. McQuagge.
20

21 Q. Who is responsible for reviewing and approving the overall Capital Additions
22 Budget?

23 A. Gulf's Executive Management Team reviews all Capital Additions Budget
24 requests. After review and approval by the executives, the Capital
25

1 Additions Budget is approved annually by the Company's Board of
2 Directors.

3

4 Q. Does Gulf monitor the actual construction expenditures against its approved
5 budget?

6 A. Yes. Corporate Planning monitors and prepares a comparison of actual to
7 budget expenditures each month. For quarter-end months, the Planning
8 Units must submit variance explanations for each PE that has a year-to-
9 date variance that exceeds 10 percent or \$250,000, whichever is less. For
10 non-quarter-end months, explanations are only required for variances that
11 exceed \$250,000. Variances less than \$10,000 do not require an
12 explanation. In addition to researching and explaining year-to-date
13 variances, the appropriate Planning Unit is required to prepare a quarterly
14 estimate of the budget status at year-end or at completion of the project.
15 Corporate Planning is responsible for monitoring the variances and ensuring
16 this process is followed.

17

18 Q. What is the amount of Gulf's 2014 test year Capital Additions Budget?

19 A. Gulf's 2014 test year total company Capital Additions Budget is
20 \$477,982,000. The 2014 test year Capital Additions Budget excluding
21 wholesale, cost recovery clauses and non-utility expenditures is
22 \$206,957,000. These projections are shown by major functional category
23 on Schedule 4 of Exhibit SDR-1.

24

25

1 Q. Please describe Gulf's O&M Budget.

2 A. The O&M Budget consists of expenses required to safely provide efficient
3 and reliable service to Gulf's customers, covering a period of five years.
4 Gulf's Planning Units submit detailed budget requests through the
5 Company's computerized budget input system. All O&M budget amounts
6 are required to be submitted through this process, with the exception of the
7 fuel and interchange information, which is derived from the Fuel and
8 Interchange component budgets. The O&M Budget is provided to the
9 Executive Management Team for their review and approval.

10

11 Q. How does the Budgeting department monitor O&M budget variances?

12 A. The Budgeting department monitors budget variance reports each month,
13 using Gulf's accounting and reporting system. Each quarter, the Planning
14 Units are required to submit year-to-date reports that include explanations
15 of all variances of 10 percent or more that equal or exceed \$25,000. Any
16 variance amount that exceeds \$500,000, regardless of the percentage,
17 must also be explained. Projections for the year-end expenses are also
18 submitted quarterly and reviewed by the CFO.

19

20 Q. What is the amount of Gulf's test year O&M Budget?

21 A. The test year System Per Books O&M Budget is \$1,073,580,000, and the
22 test year Total Adjusted O&M Budget is \$295,916,000, as shown by major
23 functional category on Schedule 5 of Exhibit SDR-1. The witnesses
24 responsible for O&M expenses by function will address their test year O&M
25 budgets and any O&M benchmark variances. Schedule 4 of Exhibit RJM-1

1 to Mr. McMillan's testimony shows the calculation of Total Adjusted O&M,
2 including each adjustment to O&M expense by function.

3

4 Q. Have there been any significant changes in Gulf's budget process since the
5 development of the forecast that was used to support Gulf's last base rate
6 case?

7 A. No. Gulf's budget process continues to successfully produce reliable
8 budgets and forecasts. Therefore, there have not been any significant
9 changes in Gulf's budget process since the last base rate case, and this
10 process has been consistently applied in preparing the 2013 Budget and
11 Forecast, which includes the 2014 test year.

12

13 Q. Turning now to the financial forecast, please explain how this forecast is
14 developed.

15 A. The outputs of the component budgets that I described earlier in my
16 testimony are input into Gulf's financial model. Additionally, various income
17 statement and balance sheet items not captured in the component budgets
18 are analyzed, developed and input into the financial model. The financial
19 model, in turn, processes this data using a number of integrated calculation
20 modules to generate the financial and accounting statements that comprise
21 Gulf's financial forecast. This dynamic iterative process ensures that these
22 various items are consistent with the other budgeted items. For example,
23 forecasted debt issuances and associated interest expense are analyzed
24 and updated when necessary due to other budget changes.

25

1 Q. What is the financial model to which you have referred?

2 A. The financial model is a proprietary, computer-based model that simulates
3 Gulf's actual financial and accounting results based on a given set of inputs.
4 Schedule 6 of Exhibit SDR-1 is a summarized flowchart of the financial
5 model inputs and outputs required to produce the financial forecast.
6

7 Q. Does Gulf prepare financial forecasts for purposes other than rate cases?

8 A. Yes. Gulf prepares and updates its financial forecast in the regular course
9 of its business to provide management with the most accurate and up-to-
10 date projections to manage the business and to help the Company achieve
11 operational and financial goals.
12

13 Gulf uses the financial model to prepare the Annual Budget and Forecast,
14 and also to continually update financial projections. These financial
15 forecasts are also used for external purposes such as analyst earnings
16 calls, rating agency information, forecasted earnings surveillance reports
17 filed with the Florida Public Service Commission (FPSC or the
18 Commission), and other financial requests.
19

20 Q. Please describe the financial statements shown on Schedules 7 and 8 of
21 Exhibit SDR-1.

22 A. Schedule 7 is Gulf's projected monthly Balance Sheet for the period
23 December 2013 through December 2014, which is the basis for developing
24 the test year rate base and capital structure. Schedule 8 is the projected
25 monthly Income Statement for the twelve months ended December 31,

1 2014, used in developing net operating income. These financial statements
2 from the financial model are based on current budget estimates for 2014
3 from the 2013 Budget and Forecast.

4
5 Q. You have summarized utility plant data on Schedule 7. Have you prepared
6 a report with a further breakdown of the plant balances?

7 A. Yes. Schedule 9 of Exhibit SDR-1 presents a further breakdown of the
8 utility plant balances along with the monthly activity in these accounts for
9 the test period. The projected plant data is based on the approved Capital
10 Additions Budget, which is supported by various witnesses as noted on
11 Exhibit SDR-1, Schedule 4.

12
13 Q. Has Gulf Power filed a list of the assumptions used in developing Gulf's
14 financial forecast?

15 A. Yes. MFR F-8 lists the assumptions used in developing Gulf's financial
16 forecast and the supporting basis for each assumption. The assumptions
17 used in this financial forecast, as outlined on MFR F-8, are reasonable
18 based on our experience and consideration of the circumstances known or
19 anticipated at the time the assumptions were developed.

20

21

22

II. RATE BASE

23

24 Q. Have you prepared a schedule which shows the derivation of rate base?

25 A. Yes. Exhibit SDR-1, Schedule 10, entitled "13-Month Average Rate Base

1 for the Period Ended December 31, 2014," reflects Gulf's test year rate
2 base. Column 1 is calculated based on the budget data presented on
3 Schedules 7 and 9 of that exhibit. The second column includes the
4 regulatory adjustments required in order to restate the system, or per books,
5 amounts to the proper basis for computing base rate revenue requirements.
6 The third column includes the Plant Scherer UPS adjustments, which I will
7 address in more detail later in my testimony. The resulting net amounts in
8 column 4 have been jurisdictionalized in the cost-of-service study filed in
9 this case by Mr. O'Sheasy in Exhibit MTO-2.

10

11 Q. Have you made the proper adjustments to remove the investment related to
12 the cost recovery clauses from rate base?

13 A. Yes. These and other rate base adjustments are listed on page 2 of
14 Schedule 10 of Exhibit SDR-1. Adjustments 1, 2, 6, 7 and 14 are to remove
15 the plant-in-service, accumulated depreciation, and non-interest bearing
16 construction work in progress (CWIP-NIB) being recovered through the
17 ECRC and the Energy Conservation Cost Recovery (ECCR) Clause. I have
18 also removed the working capital recovered through the ECRC and ECCR
19 Clauses in adjustment 15 as shown on Exhibit SDR-1, Schedule 11. The
20 investments which are being recovered through the adjustment clauses
21 must be excluded in developing the rate base used to establish Gulf's base
22 rates.

23

24

25

1 Q. Please explain adjustments 3 and 8 related to Asset Retirement Obligations
2 (AROs).

3 A. Adjustments 3 and 8 are to remove the plant-in-service and accumulated
4 depreciation amounts related to the implementation of Financial Accounting
5 Standards (FAS) 143, Accounting for Asset Retirement Obligations (AROs).
6 This accounting standard required the Company to record an asset and the
7 related liabilities and expenses associated with the legal obligations related
8 to the retirement of long-lived assets. I have also removed the regulatory
9 assets and liabilities related to FAS 143 in the working capital adjustments
10 as shown in Schedule 11. The adjustments to remove these amounts are
11 necessary to eliminate the impact of these accounting entries in accordance
12 with FPSC Rule 25-14.014, which requires that the application of FAS 143
13 be revenue neutral.

14

15 Q. Please explain the rate base adjustments related to Perdido Unit 3.

16 A. Adjustments 4 and 9 are to remove the plant-in-service and accumulated
17 depreciation associated with the addition of a third unit at the landfill gas-to-
18 energy facility at the Perdido landfill. When the capital budget used in the
19 development of Gulf's 2014 test year was developed, it was assumed that
20 this unit would be in service throughout the 2014 test year. However,
21 because of uncertainties associated with this unit, Gulf is removing it from
22 the 2014 test year.

23

24 Q. Please describe adjustments 5 and 10 related to Distribution New Business.

25 A. Adjustments 5 and 10 are to reduce the test year amounts for distribution

1 plant-in-service and accumulated depreciation to reflect a revision to the
2 2014 distribution capital additions budget as described by Mr. McQuagge.

3

4 Q. Please describe adjustment 11 related to the 2013 Depreciation Study and
5 2013 Dismantlement Study.

6 A. Adjustment 11 reflects the impact on accumulated depreciation of new
7 depreciation rates and dismantlement expense filed by Gulf on
8 May 24, 2013, pursuant to Commission Rule 25-6.0436. Gulf Witnesses
9 Huck and Erickson discuss the 2013 Depreciation Study and 2013
10 Dismantlement Study in their testimonies and have provided the updated
11 information required to determine the impact of these studies on Gulf's
12 depreciation and dismantlement expense in the 2014 test year.

13

14 Q. Please explain adjustment 12 related to Plant Held for Future Use.

15 A. Adjustment 12 is to exclude the North Escambia site from Plant Held for
16 Future Use (PHFU) consistent with the Commission's decision in Gulf's last
17 rate case. I have also removed the Deferred North Escambia Site Costs
18 from Working Capital as shown on Exhibit SDR-1, Schedule 11.

19

20 Q. Please explain adjustment 13 related to interest bearing construction work
21 in progress.

22 A. Adjustment 13 is for the removal of the interest bearing construction work in
23 progress (CWIP) included in the forecast. Since interest bearing projects in
24 CWIP are eligible for Allowance for Funds Used During Construction
25 (AFUDC), they are removed from rate base.

1 Q. Please explain the working capital adjustments included in adjustment 15.

2 A. The working capital adjustments which comprise adjustment 15 are detailed
3 on Schedule 11 of Exhibit SDR-1, entitled "13-Month Average Working
4 Capital for the Period Ended December 31, 2014." Gulf has computed the
5 test year working capital requirement utilizing the balance sheet approach in
6 accordance with this Commission's prior policy and practices. All items on
7 the balance sheet which are not included in Net Utility Plant or the Capital
8 Structure were considered in developing working capital. These items are
9 summarized at the top of the schedule and result in \$157,498,000 in total
10 company working capital. Each of these items was examined to determine
11 if a regulatory adjustment should be made to remove it from working capital.
12 As a result of this review, I have excluded the amounts related to the ECRC
13 and ECCR, all accounts which earn or incur interest charges, unamortized
14 rate case expense consistent with prior Commission decisions, and the
15 ARO regulatory assets and liabilities I discussed previously. I have also
16 reduced working capital to reflect the impact of the increase in the property
17 damage reserve accrual discussed by Ms. Erickson in her testimony.

18

19 The other adjustments noted in Schedule 11 remove the assets and
20 liabilities related to Gulf's fuel hedging under FAS 133, Accounting for
21 Derivative Instruments and Hedging Activities, which are ultimately
22 recovered through the Fuel Cost Recovery (FCR) Clause, and remove the
23 minimum pension funding requirements under FAS 158, Employers'
24 Accounting for Defined Benefit Pension and Other Post Retirement Plans,
25 which requires the recording of certain minimum pension funding

.

1 requirements. In addition, I have removed the assets and liabilities related
2 to the levelization of capacity expenses related to power purchase
3 agreements (PPAs), which are required by general accounting guidance.
4 The adjustments to total assets and liabilities for the FAS 133, FAS 158,
5 and PPA entries net to zero, and they have been removed from the working
6 capital amounts provided to Mr. O'Sheasy to be jurisdictionalized in the
7 cost-of-service study.

8
9 The net of all regulatory adjustments to total working capital is \$6,122,000,
10 which is shown in column 2 on page 1 of Schedule 10 as adjustment 15.
11 The Plant Scherer UPS working capital adjustment is shown at the bottom
12 of Schedule 11. This adjustment excludes the amounts directly assigned to
13 UPS for fuel stock, materials and supplies, and prepayments, plus the
14 allocated amounts for other working capital consistent with the treatment in
15 prior rate proceedings. The total system adjusted working capital of
16 \$155,196,000 (column 4, page 1 of Schedule 10) resulted in jurisdictional
17 adjusted working capital of \$151,120,000 (column 6, page 1 of Schedule
18 10) as derived by Mr. O'Sheasy in the cost-of-service study.

19
20 Q. Were there any other adjustments made to rate base in Gulf's last rate case
21 filed in Docket No. 110138-EI that you are not making in this case?

22 A. Yes. There were several adjustments made in the last case which are not
23 applicable in this case because they related to the forecast amounts for the
24 prior test year or the circumstances giving rise to the need for these
25 adjustments in Gulf's last rate case do not apply to the 2014 test year.

1 These include adjustments related to the Company's implementation of
2 Advanced Metering Infrastructure (AMI) Meters, the Crist 6 & 7 Turbine
3 project which was completed in 2012, adjustments to ECCR and distribution
4 investment, and reclassifications from CWIP and PHFU to Plant-in-Service.
5 In addition, in this case Gulf is not making a rate base adjustment related to
6 incentive compensation in Net Plant-in-Service. Consistent with Mr. Garvie's
7 testimony regarding the appropriateness of long-term at risk compensation,
8 Gulf believes this compensation is properly included in jurisdictional rate
9 base. The rate base adjustments, including the adjustments not made, are
10 listed in MFR B-2.

11

12 Q. What is the total jurisdictional rate base for the 2014 test year after all the
13 appropriate adjustments have been made?

14 A. As shown on page 1 of Schedule 10 of Exhibit SDR-1, the total jurisdictional
15 adjusted rate base is \$1,883,901,000. This represents the used and useful
16 base rate investment which is required to provide service for Gulf's retail
17 customers, and all these costs were reasonably and prudently incurred.

18

19

20

III. NET OPERATING INCOME

21

22 Q. Now moving to Net Operating Income (NOI), please explain
23 Exhibit SDR-1, Schedule 12 entitled "Net Operating Income for the Twelve
24 Months Ended December 31, 2014."

25 A. This schedule is formatted in the same manner as the rate base schedule.

1 Page 1 provides the calculation of the test year net operating income. The
2 first column on page 1 of Schedule 12 is calculated based on the 2014
3 budget data from Schedule 8 of Exhibit SDR-1. The second column
4 includes the regulatory adjustments, which are detailed on pages 2 and 3 of
5 Schedule 12, with more detailed calculations presented on separate
6 schedules as noted under the heading of Schedule Reference on pages 2
7 and 3. The third column on page 1 of Schedule 12 sets forth the UPS
8 amounts. I will discuss the UPS adjustments and calculations later in my
9 testimony. The jurisdictional adjusted amounts in column 6 were obtained
10 from Mr. O'Sheasy's Exhibit MTO-2.

11

12 Q. Have you made the proper adjustments to remove all revenues and
13 expenses related to the cost recovery clauses from NOI?

14 A. Yes. The appropriate adjustments to remove the revenues (adjustments 1
15 through 4) and expenses (adjustments 7 through 14, 27, 28, 32, and 35)
16 related to the retail cost recovery clauses are included on pages 2 and 3 of
17 Schedule 12. Additional details supporting each cost recovery clause
18 adjustment are provided on Schedules 13 through 16 of Exhibit SDR-1.
19 These revenues and expenses are considered in the retail cost recovery
20 clauses; therefore, they must be removed from the test year amounts used
21 for determining base rates. As reflected on Schedules 13 through 16, the
22 system amounts have been removed from NOI in Schedule 12, and I have
23 also reflected the jurisdictional amounts for each cost recovery clause.

24

25

1 Q. Please explain the franchise fee and gross receipts adjustments 5, 6, 33,
2 and 36 on Schedule 12.

3 A. These adjustments are necessary to eliminate county and municipal
4 franchise fee revenues and expenses and gross receipts taxes from
5 consideration in setting base rates. As required by Commission Order No.
6 6650 in Docket No. 74437-EU, franchise fees are added directly to the
7 county or municipal customer's bill. Florida gross receipts taxes were
8 removed from base rates in Gulf's rate case in Docket No. 010949-EI and
9 are separately calculated and shown on the customer's bill.

10
11 Q. Please explain adjustment 15 related to marketing support activities and
12 adjustment 16 related to wholesale sales activities.

13 A. Expenses related to marketing support activities (adjustment 15) have been
14 removed from NOI in accordance with the Commission's policy to disallow
15 expenses that are promotional in nature as stated in Commission Order No.
16 6465 in Docket No. 9046-EU. Expenses related to wholesale sales
17 activities (adjustment 16) were also removed from NOI in the calculation of
18 retail revenue requirements, since these expenses relate directly to
19 activities supporting Gulf's wholesale customers.

20
21 Q. Please explain adjustment 17 and 18 related to institutional advertising and
22 economic development expenses.

23 A. Consistent with prior Commission decisions, adjustment 17 removes the
24 test year amount of institutional or image building advertising. All other
25 advertising is either recovered in the ECCR clause or meets the criteria for

1 recovery in base rates and is included in the O&M expenses supported by
2 Ms. Strickland in this proceeding.

3

4 Adjustment 18 removes 5 percent of the 2014 test year expenses related to
5 economic development expenses. This treatment is also consistent with the
6 Commission's decision in Gulf's last rate case, and Ms. Strickland will
7 support the reasonableness of the test year amount.

8

9 Q. Please explain adjustments 19, 21, and 34.

10 A. These adjustments remove the expenses related to management financial
11 planning services (adjustment 19) and the Tallahassee liaison expenses
12 (adjustments 21 and 34), consistent with the Commission's decision in
13 Gulf's last rate case.

14

15 Q. Please explain adjustment 20 related to the property damage reserve
16 accrual.

17 A. Gulf is requesting an increase to the annual property damage reserve
18 accrual from the current approved amount of \$3.5 million to \$9.0 million
19 based on the increased storm reserve target approved by the Commission
20 in Gulf's last rate case and the current storm damage study. The study is
21 described by Gulf Witness Harris, and the need for this increase and the
22 amount of the accrual are supported by Ms. Erickson in her testimony.

23

24 Q. Please explain adjustment 22 related to the recovery of Gulf's rate case
25 expenses.

1 A. As reflected in MFR C-10, Gulf estimates the incremental expenses related
2 to this rate case filing will be \$4,922,000, as discussed by Ms. Erickson. As
3 of December 31, 2013, Gulf projects an unamortized balance of rate case
4 expense associated with its last rate case of \$1,596,000. We are
5 requesting to recover the sum of the expenses associated with the current
6 case and the unrecovered expenses associated with Gulf's last rate case, a
7 total of \$6,518,000, at the rate of \$1,630,000 per year over a four-year
8 amortization period, which is consistent with the Commission's decision in
9 Gulf's last case and other recent Commission decisions regarding the
10 appropriate period over which to amortize rate case expenses. Because an
11 annual amortization of \$700,000 approved in Gulf's last rate case is already
12 included in Gulf's O&M budget for 2014, I have made an incremental NOI
13 adjustment of \$930,000 as calculated on Schedule 17 of Exhibit SDR-1.

14

15 Q. Please explain the hiring lag adjustment to O&M (adjustment 23).

16 A. The hiring lag adjustment of \$558,000 is explained and quantified in the
17 testimony of Mr. McMillan, including Schedule 5 of his Exhibit RJM-1. This
18 replaces the adjustment to employee position increases made in Gulf's last
19 rate case.

20

21 Q. Please explain adjustments 24, 25, and 31 related to O&M expense,
22 depreciation expense, and property taxes associated with Perdido Unit 3.

23 A. As I discussed earlier in my testimony, Gulf is removing the costs
24 associated with the addition of a third unit at the landfill gas-to-energy
25 facility at the Perdido landfill. Adjustments 24, 25 and 31 are being made to

1 remove the O&M expense, depreciation expense, and property taxes
2 associated with Perdido Unit 3 that were included in the budget.

3

4 **Q.** Please explain adjustment 26 related to O&M expense at Plant Scholz.

5 **A.** As discussed in the testimony of Mr. Burroughs, Gulf will be removing from
6 service two coal units at Plant Scholz in 2015. This decision had not been
7 made at the time the budget which forms the basis for the 2014 test year
8 was prepared. In light of this decision, Mr. Grove has reduced projected
9 O&M expenses for Plant Scholz in the 2014 test year, and adjustment 26 is
10 being made to reflect the lower O&M level required at that plant.

11

12 **Q.** Please explain adjustment 29 related to Distribution New Business
13 depreciation expense.

14 **A.** Adjustment 29 is to properly reflect the reduction to depreciation expense
15 associated with the adjustment to distribution plant-in-service that I
16 discussed earlier in my testimony.

17

18 **Q.** Please explain adjustment 30 related to depreciation and dismantlement
19 expense.

20 **A.** As I discussed earlier in my testimony, Gulf filed its 2013 Depreciation
21 Study and 2013 Dismantlement Study on May 24, 2013. Adjustment 30
22 reflects the impact of these studies on Gulf's depreciation and
23 dismantlement expense in the 2014 test year, as further discussed in the
24 testimonies of Mr. Huck and Ms. Erickson.

25

1 Q. Please explain adjustment 37 to taxes other than income taxes.

2 A. Adjustment 37 is required to remove the FPSC regulatory assessment fees
3 that are associated with the retail revenues and franchise fee revenues
4 removed in adjustments 1 through 5. Schedule 18 of Exhibit SDR-1 shows
5 the calculation of this adjustment.

6

7 Q. Please explain adjustment 38 to income taxes on Schedule 12.

8 A. This adjustment is required to reflect the federal and state income tax
9 effects of adjustments 1 through 37. Schedule 19 of Exhibit SDR-1 shows
10 the calculation of this adjustment.

11

12 Q. Have you calculated the appropriate adjustment to income taxes to reflect
13 the synchronized interest expense related to the jurisdictional adjusted rate
14 base?

15 A. Yes. Adjustment 39 on Schedule 12 reflects the tax effect of synchronizing
16 interest expense to rate base, and Exhibit SDR-1, Schedule 20 shows the
17 calculation of this adjustment. Consistent with prior Commission practice,
18 the synchronized interest expense is computed by multiplying the
19 jurisdictional adjusted rate base by the weighted cost of debt included in the
20 cost of capital. This adjustment ensures that the calculated revenue
21 requirements reflect the appropriate tax deduction for the interest
22 component of the revenue requirement calculation. The jurisdictional
23 capitalization amounts and cost rates were taken directly from Exhibit SDR-
24 1, Schedule 21, and total company interest expense was taken from the
25 projected income statement shown on Exhibit SDR-1, Schedule 8.

1 Q. Did the Commission make any other NOI adjustments in the last rate case
2 that are applicable in this case?

3 A. No. The other Commission adjustments to NOI in the last rate case related
4 primarily to expense amounts forecasted for the 2012 test year. These
5 adjustments were specific to the forecast amounts for the prior test year and
6 are not applicable to the forecasts for the 2014 test year. In addition, in this
7 case Gulf is not making NOI adjustments related to incentive compensation
8 or directors and officers liability insurance. Gulf believes these items are
9 properly included in jurisdictional NOI as discussed in the testimony of Mr.
10 Garvie and Ms. Erickson.

11

12 Q. Please summarize Gulf's adjusted O&M request included in the 2014 test
13 year.

14 A. The Company's total test year adjusted O&M request is \$295,916,000. As
15 discussed in the testimony of the Company's functional witnesses, the O&M
16 request is reasonable, prudent and necessary to provide reliable electric
17 service to our customers.

18

19 Q. What is the total jurisdictional NOI for the 2014 test year after all the
20 appropriate adjustments have been made?

21 A. Gulf's jurisdictional NOI for 2014 is \$76,359,000.

22

23

24

25

1 **IV. JURISDICTIONAL CAPITAL STRUCTURE**

2

3 Q. Have you developed the jurisdictional adjusted capital structure and cost of
4 capital for the test year?

5 A. Yes. Schedule 21, page 1, of Exhibit SDR-1 shows the jurisdictional
6 13-month average amounts of each class of capital for the test year ended
7 December 31, 2014. It also shows the average cost rates and weighted
8 cost components for each class of capital. Page 2 of this schedule shows
9 how the jurisdictional adjusted capital structure was derived starting with the
10 system amounts in column 1. Pages 3 and 4 show the calculation of the
11 weighted cost rate for long-term debt, and page 5 shows the calculation of
12 the weighted cost rate for preference stock.

13

14 Q. How were the cost rates for long-term debt, preference stock, short-term
15 debt, customer deposits, and investment tax credits determined?

16 A. The cost rates for long-term debt and preference stock reflect their
17 embedded 13-month average costs as calculated on pages 3 through 5 of
18 Schedule 21. The projected interest rate assumptions used in the financial
19 forecast are shown in MFR F-8. The assumptions used in the forecast for
20 new issues were provided by Southern Company Services Finance and
21 were based on the September 2012 market forecast by Moody's Analytics.
22 The customer deposit cost rate of 2.30 percent was based on the interest
23 rates required pursuant to FPSC Rule 25-6.097, Customer Deposits. The
24 cost for investment tax credits of 8.18 percent was calculated in accordance

25

1 with current IRS regulations and past Commission practice, using the
2 weighted average of the three main investor sources of capital.

3

4 Q. Please explain how the jurisdictional capital structure was developed.

5 A. As shown on page 2 of Schedule 21, I started with the 13-month average
6 total company capital structure by class of capital for the test year ended
7 December 31, 2014. These total company amounts were calculated based
8 on the projected balances for each item in the capital structure from the
9 balance sheet shown on Exhibit SDR-1, Schedule 7. In columns 2 through
10 5 and 7, I have identified five adjustments which were removed from
11 specific classes of capital. The remaining adjustments required to reconcile
12 the rate base and capital structure were made on a pro rata basis as shown
13 in column 10.

14

15 Q. Please explain the five items for which you have made adjustments to
16 specific classes of capital.

17 A. As shown in columns 2 and 3 on page 2, common dividends declared and
18 unamortized debt premiums, discounts, issuing expenses and losses on
19 reacquired debt are account specific and have been directly assigned to the
20 common stock and long-term debt classes of capital, respectively. The third
21 item, shown in column 4, is the removal of non-utility amounts from the
22 common stock class of capital consistent with past Commission policy. The
23 fourth item in column 5 reclassifies the unamortized loss related to interest
24 rate hedges from common equity and deferred taxes to long-term debt. The
25 last item, shown in column 7, is the removal of the UPS capital structure

1 amounts. The UPS capital structure adjustments are consistent with past
2 Commission decisions to remove all investments and expenses related to
3 Plant Scherer from retail jurisdictional calculations since this plant's output
4 is being sold to non-territorial wholesale customers. I specifically identified
5 the deferred taxes and investment tax credits related to Plant Scherer and
6 then allocated the remaining UPS investment over the other external
7 sources of funds.

8

9 Q. Why is it appropriate to make the remaining adjustments on a pro rata
10 basis?

11 A. When reconciling capital structure to rate base, it is appropriate and
12 necessary to include all sources of funds to avoid potential inconsistencies
13 in the treatment of like expenditures for regulatory purposes. The pro rata
14 treatment is consistent with prior Commission practice and tax normalization
15 problems could result if the treatment is not consistent for all regulatory
16 purposes. Current Commission practice provides an overall return in the
17 cost recovery clauses and AFUDC rate computations; therefore, the base
18 rate treatment should be consistent with these other regulatory
19 requirements to avoid normalization problems and inconsistent regulatory
20 treatment.

21

22 Q. Does this conclude your discussion of how you developed the jurisdictional
23 adjusted cost of capital?

24 A. Yes. These calculations, which are detailed in Schedule 21 of Exhibit SDR-
25 1, result in a cost of capital of 6.47 percent based on a requested return on

1 equity of 11.50 percent, which is supported in the testimony of Gulf Witness
2 Dr. Vander Weide.

3
4

5 V. UPS ADJUSTMENTS

6

7 Q. You have previously mentioned that you are supporting the Plant Scherer
8 UPS adjustments that have been used in developing the rate base, NOI,
9 and capital structure in this filing. Please explain how these amounts were
10 calculated.

11 A. The UPS amounts, which have been identified on Schedules 10, 12, and 21
12 of Exhibit SDR-1, were computed in the same manner as they were in
13 Gulf's last three rate cases. The UPS rate base and NOI adjustments
14 reflect the removal of all amounts related to Plant Scherer. These
15 adjustments include all Scherer investment and expenses, including
16 allocated amounts of general plant, working capital, and administrative and
17 general expenses consistent with prior Commission treatment.

18

19

20

VI. GENERAL PLANT INVESTMENT

21

22 Q. Schedule 10 of Exhibit SDR-1 shows a total of \$2.944 billion of plant-in-
23 service investment in Gulf's 2014 rate base in this case. Are the General
24 Plant assets associated with these costs used and useful in the provision of
25 electric service to the public?

1 A. Yes. The General Plant assets of \$168,430,000 included in plant-in-service
2 are used and useful in the provision of electric service.

3

4 Q. Were these General Plant costs reasonable and prudently incurred?

5 A. Yes. All General Plant projects are subject to the review and approval
6 process and cost control monitoring which govern our capital budgeting
7 process as described earlier in my testimony.

8

9 Q. What is Gulf's projected General Plant capital additions budget for 2013 and
10 2014?

11 A. As shown on Schedule 25 of Exhibit SDR-1, Gulf's General Plant capital
12 additions budget for 2013 is \$17,112,000 and for 2014 is \$8,289,000. The
13 major items included in the 2014 test year are:

- 14 • Automobiles, Trucks and Equipment \$3,340,000
- 15 • Office Facility Capital Items \$1,260,000
- 16 • IT Projects \$2,516,000
- 17 • Tools and Test Equipment \$ 494,000
- 18 • Other Projects \$ 679,000

19

20 Q. Please address what is included in the General Plant capital budget and
21 how it is developed.

22 A. The General Plant capital budget items include the investment in facilities
23 and equipment not specifically provided for in the other functional accounts.
24 The major types of investment include office buildings and related office
25 furniture and equipment, transportation equipment, communication

1 equipment, and other miscellaneous equipment. The budget requests for
2 these types of investment are coordinated and submitted at a Company
3 level by the responsible Corporate area. Mr. McQuagge discusses the test
4 year amount for automobiles, trucks and equipment since this investment
5 primarily supports the distribution and transmission business units. The
6 General Plant requests are included in the capital budget review and
7 approval by the executives.

8
9 Q. How does Gulf control General Plant capital costs after the capital budget is
10 approved?

11 A. As I discussed earlier in my testimony, detailed explanations are required
12 quarterly for project variances of greater than 10 percent or \$250,000
13 (whichever is lower). Variances less than \$10,000 do not require variance
14 explanations.

15
16
17 **V. REVENUE DEFICIENCY**

18
19 Q. Based on the 2014 jurisdictional adjusted amounts for rate base of
20 \$1,883,901,000, NOI of \$76,359,000, and the test year cost of capital of
21 6.47 percent, have you calculated Gulf's achieved rate of return and return
22 on common equity for the test year if no rate relief is granted?

23 A. Yes. Without rate relief, Gulf's achieved rate of return will be 4.05 percent
24 and the achieved return on common equity will be 5.14 percent for the test
25 year, as shown on Schedule 22 of Exhibit SDR-1.

1 Q. Have you calculated the jurisdictional revenue deficiency for the test period
2 brought about by the difference in Gulf's achieved jurisdictional rate of
3 return of 4.05 percent and the test year cost of capital of 6.47 percent?

4 A. Yes. The revenue deficiency is \$74,393,000, as calculated on Exhibit SDR-
5 1, Schedule 23, which references the schedule where each figure was
6 derived. Schedule 24 of that exhibit shows the calculation of the NOI
7 multiplier, which provides for the income taxes, FPSC Assessment Fees
8 and uncollectible expenses needed in addition to the required after tax NOI
9 in order for the Company to achieve the requested rate of return of 6.47
10 percent.

11

12

13 **VIII. COMPLIANCE-RELATED TRANSMISSION COSTS**

14

15 Q. Please discuss the compliance-related transmission costs Gulf will incur in
16 order to comply with MATS requirements.

17 A. On April 1, 2013, Gulf filed its Environmental Compliance Program Update
18 and Third Supplemental Petition of Gulf Power Company Regarding Its
19 Environmental Compliance Program (the Update and Petition) in Docket
20 No. 130092-EI, along with the testimony of two Gulf witnesses. Among
21 other things, the Update and Petition described Gulf's compliance plan and
22 requested approval of Gulf's strategies necessary to meet the requirements
23 of the MATS rule. Gulf's analysis of its options determined that certain
24 transmission upgrades are the best, most cost-effective option for
25 compliance with the MATS rule. Mr. Caldwell discusses the specific

1 projects that comprise these transmission upgrades in his testimony and
2 has provided me with the associated capital additions and clearings to
3 plant-in-service. By July 1, 2015, Gulf projects to have invested
4 \$128,945,000 in these compliance-related transmission (CRT) upgrades.
5

6 Q. What is the appropriate mechanism for recovery of these CRT costs?

7 A. The CRT costs should be recovered through the ECRC. These costs meet
8 the criteria for ECRC cost recovery as established by the Commission in
9 Order No. PSC-94-0044-FOF-EI in Docket No. 930613-EI: (1) they will be
10 prudently incurred after April 13, 1993; (2) the activities are legally required
11 to comply with an environmental regulation that became effective after the
12 Company's last test year upon which rates are based; and (3) the costs are
13 not being recovered through any other cost recovery mechanism or through
14 base rates.
15

16 Q. Has the Commission approved Gulf's compliance plan for MATS and the
17 associated recovery of the CRT costs through the ECRC?

18 A. As of the date of filing of Gulf's rate case, Gulf's MATS compliance plan and
19 the associated mechanism for recovery of MATS compliance costs has not
20 yet been approved by the Commission due to the timing of events in Docket
21 130092-EI. Therefore, Gulf's 13-month average 2014 test year in this rate
22 case filing includes a small amount of costs associated with CRT projects
23 that are projected to go into service in May and December of 2014. If Gulf's
24 request for recovery of these costs through the ECRC is approved prior to
25 the decision in this base rate docket, then the CRT costs included in Gulf's

1 2014 test year will need to be removed. Schedule 1 of Exhibit SDR-2
2 shows the Total Company and Jurisdictional adjustments to rate base and
3 NOI that are necessary to remove the investment and expenses associated
4 with the CRT projects from the 2014 test year. The impact on the
5 Company's request for rate relief is a reduction of \$637,000.

6

7 **Q.** What does Gulf propose if the Commission determines that these
8 compliance-related costs should be included in base rates?

9 **A.** As I stated above, the impact on the 2014 test year of the MATS
10 compliance costs is relatively small, especially when compared to the total
11 cost of these projects. As described in more detail in Mr. Caldwell's
12 testimony, most of the investment associated with these projects does not
13 go into plant-in-service until 2015. The annual revenue requirements
14 associated with the CRT projects once they are placed in service are
15 substantial – approximately \$17 million in total in the first full year they are
16 in service – and would have a significant adverse impact on earnings in
17 2015. Avoiding that negative earnings impact would require Gulf to petition
18 the Commission for a costly limited proceeding or a full rate case soon after
19 completing this rate case. To avoid either a limited proceeding or another
20 full rate case, Gulf is proposing a step increase to base rates to cover the
21 costs associated with CRT projects that go into service by June 2015, in the
22 event that the Commission does not approve their recovery through the
23 ECRC.

24

25

1 Q. What is the amount of the step increase in base rates that Gulf is requesting
2 if the CRT costs are not recovered through the ECRC?

3 A. If the Commission finds that the CRT costs should be included in base
4 rates, Gulf is requesting a step increase of \$16,392,000 effective July 1,
5 2015. This represents the annual revenue requirements for the twelve
6 months ending June 30, 2016, which is the first twelve months that the
7 completed CRT projects would be reflected in base rates, less the amount
8 included in the 2014 test year. This amount includes the return on net
9 plant-in-service at the cost of capital requested by Gulf in this docket, along
10 with depreciation expense and property taxes on the CRT projects. In
11 addition, the requested step increase includes a provision that makes the
12 Company whole for the return on investment and depreciation expense on
13 the CRT projects for the portion of 2015 prior to the time the step increase is
14 effective.

15
16 Q. How is the step increase calculated?

17 A. Schedule 2 of my Exhibit SDR-2 shows the 13-month average rate base
18 and 12 month-to-date NOI associated with the CRT projects for the period
19 ending June 30, 2016. In addition, Schedule 2 shows the calculation of the
20 revenue requirements associated with this rate base and NOI using the cost
21 of capital requested in this rate case. As shown on Schedule 2, the
22 requested step increase is \$16,392,000.

23
24
25

1 Q. Please explain the Company's proposed treatment of the return on
2 investment and depreciation costs incurred by the Company but not
3 recovered through rates prior to the step increase.

4 A. As I mentioned earlier in my testimony and described in Mr. Caldwell's
5 testimony, the transmission investment required to comply with the MATS
6 rule is significant to Gulf. During the first six months of 2015, until the
7 proposed step increase becomes effective on July 1, 2015, significant
8 depreciation costs and investment carrying costs that are not included in
9 base rates will be incurred by the Company on these mandatory compliance
10 projects. Gulf is proposing that these costs, totaling \$1,958,000 as shown
11 on Schedule 3 of Exhibit SDR-2, be deferred in a regulatory asset for the
12 period January 1, 2015 through June 30, 2015. The calculation of the
13 amount of the regulatory asset is shown on Schedule 3 of Exhibit SDR-2. It
14 includes the depreciation expense and deferred return on each CRT project
15 from the time it goes into service through June 30, 2015. The regulatory
16 asset also includes a deferred return from January 1, 2015 until their in-
17 service date on the investment in two CRT projects that are not eligible for
18 AFUDC and are therefore included in non-interest bearing CWIP. The
19 deferred return on the CRT investment is calculated at Gulf's currently
20 approved AFUDC rate using our requested Return on Equity (ROE) of
21 11.50 percent. Beginning July 1, 2015, the regulatory asset should be
22 amortized over a four-year period, with the amortization and the 13-month
23 average unamortized balance of the deferred asset included in the
24 calculation of the step increase. Thus, Gulf would be made whole for the
25 cost of the investment made to comply with the MATS rule. Schedule 3 of

1 Exhibit SDR-2 shows the calculation of the regulatory asset along with the
2 amortization and 13-month average unamortized balance during the period
3 ending June 30, 2016.
4

5 Q. How have the rates associated with the step increase been calculated?

6 A. In his testimony in this proceeding, Gulf Witness Thompson describes how
7 Gulf calculated the rates necessary to implement the step increase effective
8 July 1, 2015.
9
10

11 IX. SUMMARY

12

13 Q. Please summarize your testimony.

14 A. Gulf utilizes a very straightforward, logical and comprehensive budget and
15 financial forecasting process. This process is performed annually and
16 results in a forecast that management uses as a tool in planning and
17 decision making. The assumptions contained in the budget process are
18 reasonable, and the resulting financial forecast provides a reasonable and
19 sound basis for projecting the results of Gulf's operations during the 2014
20 test year as incorporated in the MFRs, testimony and exhibits filed in this
21 case.
22

23 Gulf's test year jurisdictional adjusted rate base is \$1,883,901,000. This
24 amount represents the retail base rate investments that are used and useful
25 in providing service to Gulf's retail customers during the test year. As

1 described by other witnesses, these investments are reasonable and
2 prudent.

3

4 Gulf's total achieved jurisdictional adjusted NOI for the 2014 test year is
5 \$76,359,000, absent the rate relief requested in this proceeding. The O&M
6 expenses included in the calculation of NOI are supported by witnesses
7 from each functional area. The projected level of expense is reasonable
8 and prudent to continue to provide reliable electric service to our customers,
9 and it is representative of the level of expenses that will be incurred in the
10 future.

11

12 Gulf's weighted average cost of capital for the test year is 6.47 percent.
13 This cost is based on Gulf's actual or projected cost of each source of
14 capital and a required return on equity of 11.50 percent as recommended by
15 Dr. Vander Weide. The combination of jurisdictional adjusted rate base,
16 NOI and weighted average cost of capital shows that Gulf requires a retail
17 base revenue increase of \$74,393,000 in order to have the opportunity to
18 earn a fair rate of return on its investment in property used and useful in the
19 provision of electric service. This increase is crucial to enable Gulf to make
20 the investments and incur the costs required to continue to provide safe,
21 efficient and reliable service to its customers.

22

23 Gulf's compliance plan to meet the MATS rule involves significant
24 transmission upgrades. Gulf believes that the appropriate mechanism for
25 recovery of these costs is through the ECRC. If the Commission approves

1 such recovery, a reduction of \$637,000 is necessary to the rate relief
2 requested in this proceeding. However, if the Commission determines that
3 these compliance-related transmission costs should be included in base
4 rates, the Company is requesting a step increase of \$16,392,000 effective
5 July 1, 2015 to provide rates to recover the substantial increase in costs
6 required for compliance with the MATS rule.
7

8 Q. Ms. Ritenour, does this conclude your testimony?

9 A. Yes.

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AFFIDAVIT

STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 130140-EI

Before me the undersigned authority, personally appeared Susan D. Ritenour, who being first duly sworn, deposes, and says that she is the Corporate Secretary, Treasurer and Corporate Planning Manager of Gulf Power Company, a Florida corporation, that the foregoing is true and correct to the best of her knowledge, information, and belief. She is personally known to me.

s/ Susan D. Ritenour
Susan D. Ritenour
Corporate Secretary, Treasurer, and
Corporate Planning Manager

Sworn to and subscribed before me this 8th day of July, 2013.

Monica A. Williams
Notary Public, State of Florida at Large

Commission No. EE166803

My Commission Expires 2/6/16

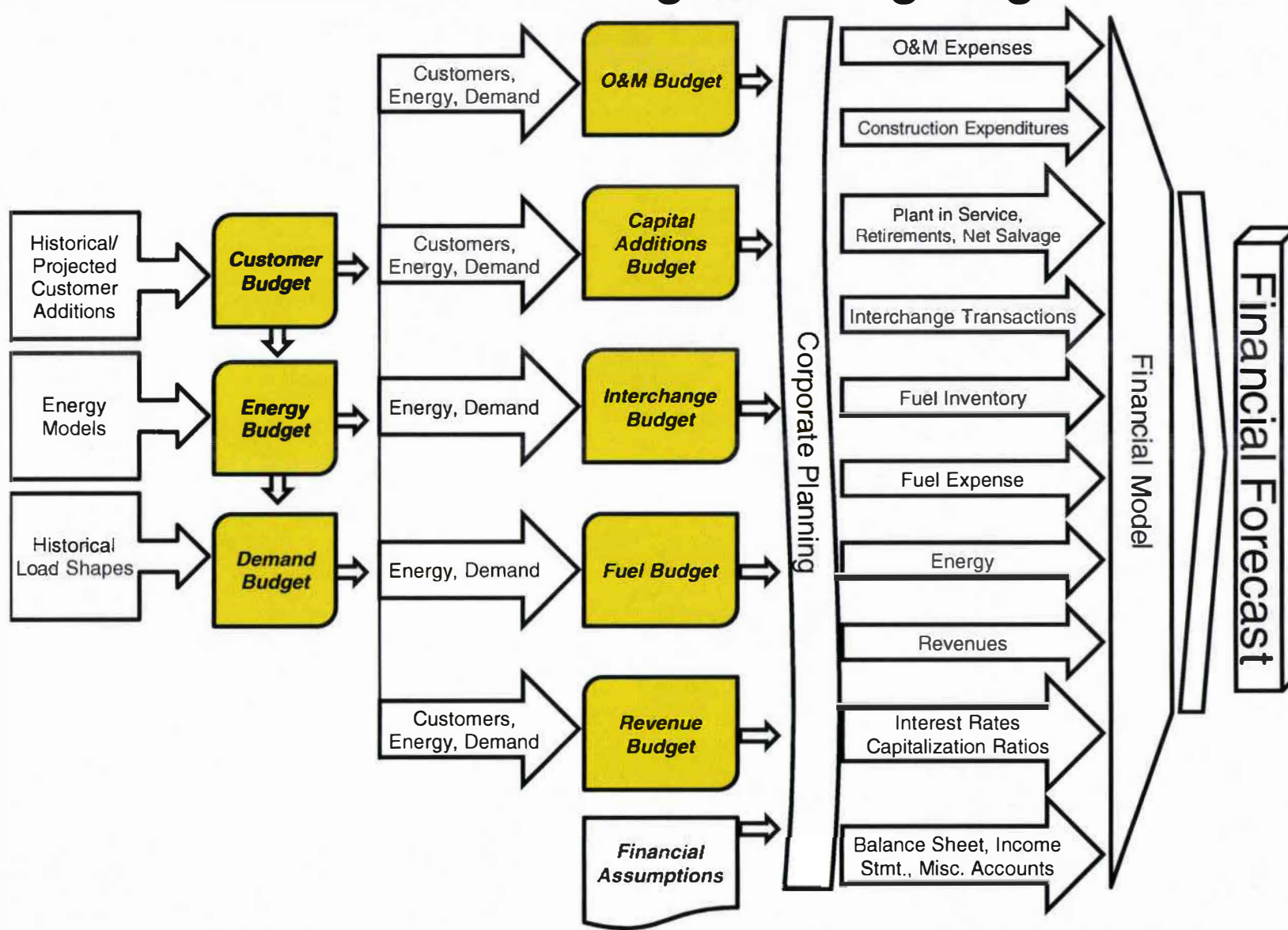


Responsibility for Minimum Filing Requirements

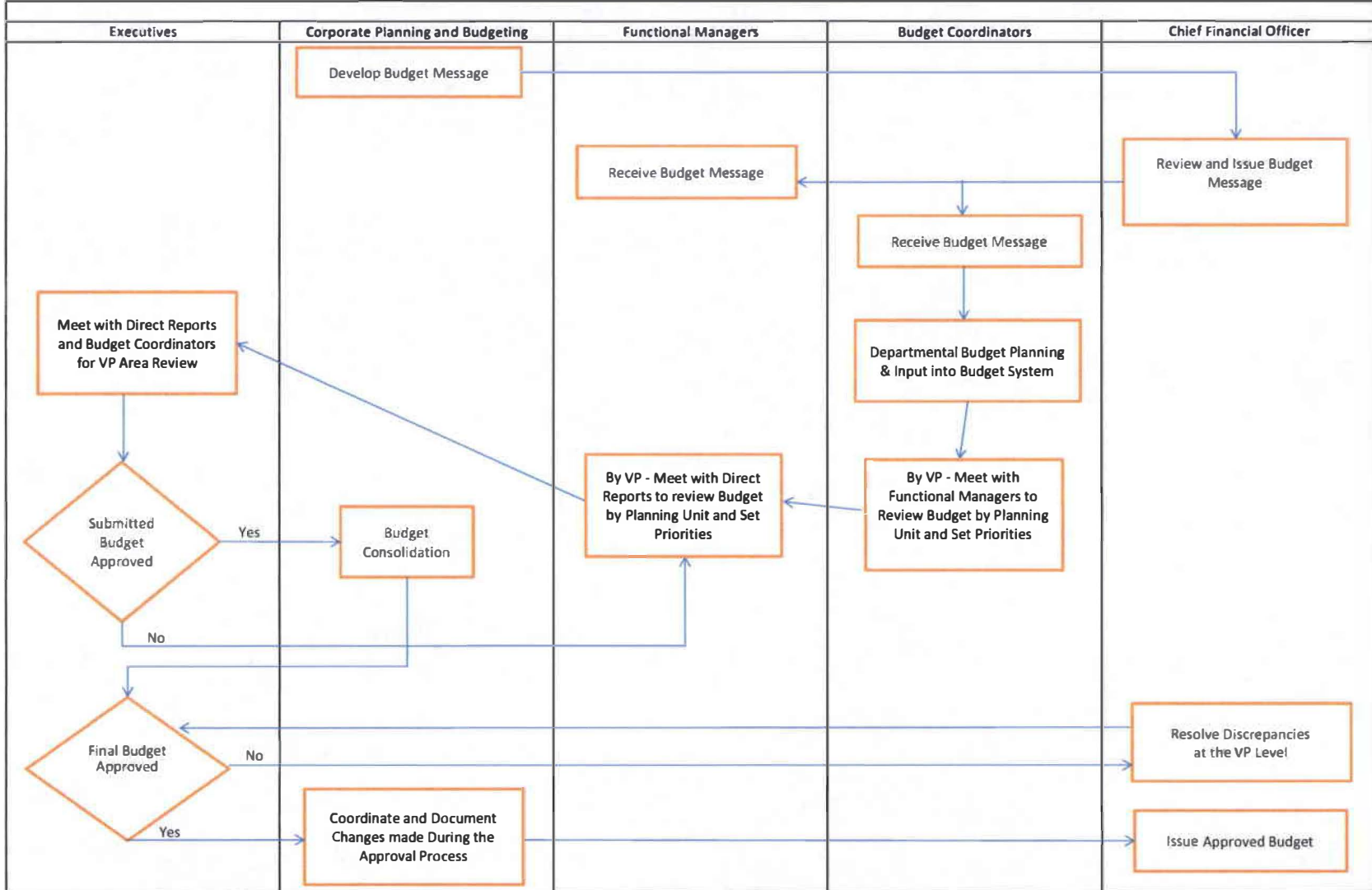
<u>Schedule</u>	<u>Title</u>
A-1	Full Revenue Requirements Increase Requested
A-4	Interim Revenue Requirements Increase Requested
B-1	Adjusted Rate Base
B-2	Rate Base Adjustments
B-3	13 Month Average Balance Sheet - System Basis
B-5	Detail Of Changes In Rate Base
B-7	Plant Balances By Account And Sub-Account
B-8	Monthly Plant Balances Test Year - 13 Months
B-9	Depreciation Reserve Balances By Account And Sub-Account
B-10	Monthly Reserve Balances Test Year - 13 Months
B-11	Capital Additions And Retirements
B-12	Production Plant Additions
B-13	Construction Work In Progress
B-14	Earnings Test
B-15	Property Held For Future Use - 13 Month Average
B-17	Working Capital - 13 Month Average
B-18	Fuel Inventory By Plant
B-19	Miscellaneous Deferred Debits
B-20	Other Deferred Credits
B-25	Accounting Policy Changes Affecting Rate Base
C-1	Adjusted Jurisdictional Net Operating Income

C-2	Net Operating Income Adjustments
C-3	Jurisdictional Net Operating Income Adjustments
C-5	Operating Revenues Detail
C-6	Budgeted Versus Actual Operating Revenues And Expenses
C-19	Amortization/Recovery Schedule - 12 Months
C-23	Interest In Tax Expense Calculation
C-29	Gains And Losses On Disposition Of Plant Or Property
C-32	Non-Utility Operations Utilizing Utility Assets
C-44	Revenue Expansion Factor
D-1a	Cost Of Capital - 13 Month Average
D-1b	Cost Of Capital - Adjustments
D-2	Cost Of Capital - 5 Year History
D-3	Short-Term Debt
D-4a	Long-Term Debt Outstanding
D-4b	Reacquired Bonds
D-5	Preferred Stock Outstanding
D-6	Customer Deposits
D-7	Common Stock Data
D-8	Financial Plans - Stocks And Bond Issues
D-9	Financial Indicators - Summary
F-5	Forecasting Models
F-8	Assumptions

Gulf Power Planning and Budgeting Process



**Gulf Power Company
Capital Additions and O&M Budget Process**



GULF POWER COMPANY

2014 Test Year Capital Additions Budget

By Function
(\$ 000's)

Function	Test Year System Per Books	Test Year Total Adjusted *	Witness
Production	302,424	38,384	Grove
Transmission	114,936	114,936	Caldwell
Distribution	52,174	45,348 **	McQuagge
General	8,448	8,289	Ritenour
TOTAL	477,982	206,957	

*Amounts exclude capital expenditures for wholesale, clauses, and non-utility

**Amount reflects reduction in New Business Distribution capital expenditures

GULF POWER COMPANY

2014 Test Year Operation and Maintenance Expense

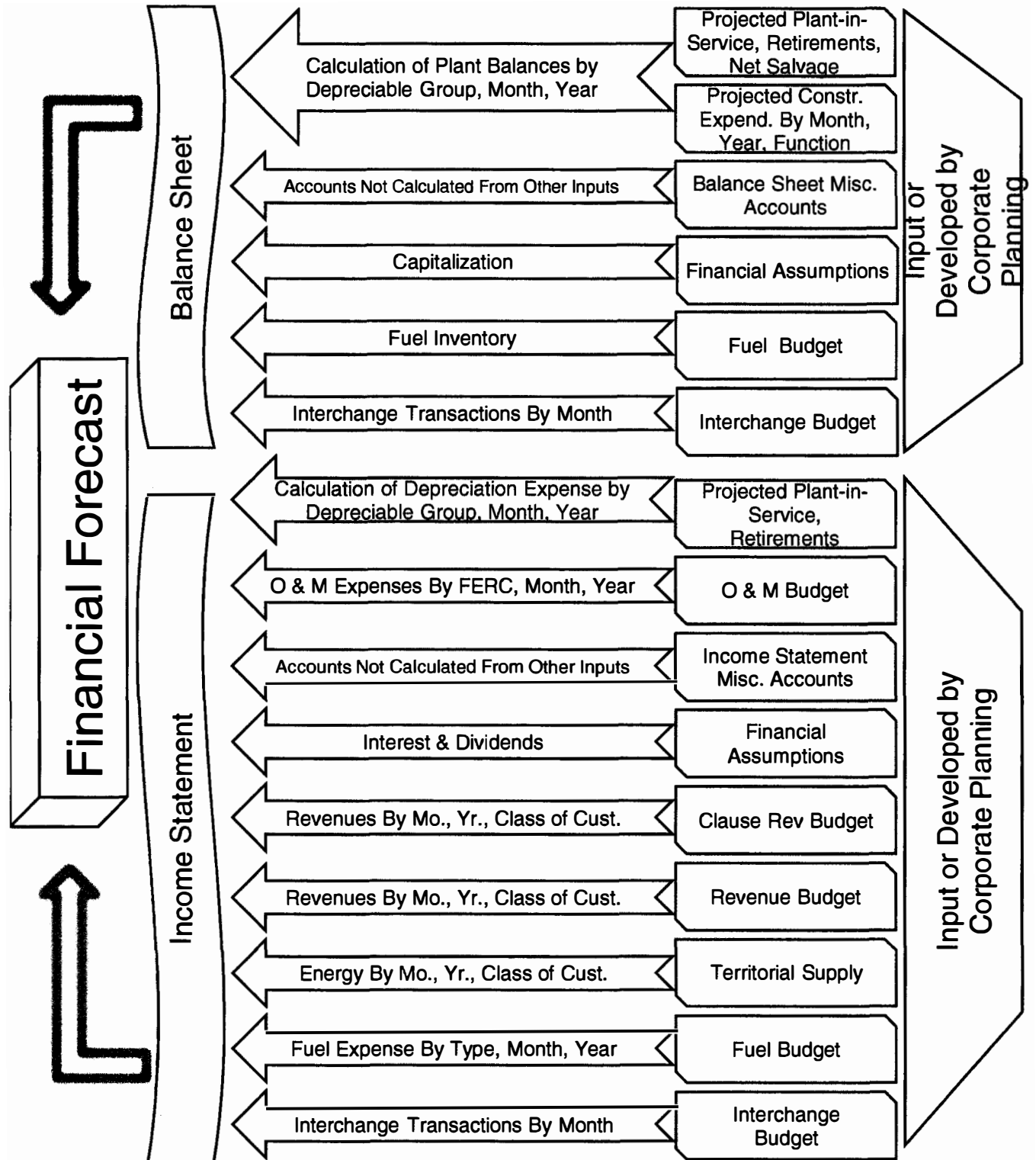
By Function

(\$ 000's)

Function	Test Year System Per Books	Test Year Total Adjusted *	Witness
Production	845,617	106,736	Grove
Transmission	27,386	13,733	Caldwell
Distribution	45,738	42,070	McQuagge
Customer Accounts	25,850	25,795	Neyman
Customer Service & Information	38,602	16,644	Strickland
Sales Expenses	1,391	1,171	Strickland
Administrative & General	<u>88,996</u>	<u>89,767</u>	Erickson, Garvie
Total Operation and Maintenance	<u>1,073,580</u>	<u>295,916</u>	

* As reflected on exhibit RJM-1, Schedule 4 of Mr. McMillan's testimony.

Gulf Power Financial Model Flowchart



GULF POWER COMPANY
BALANCE SHEET
For the Period December 2013 through December 2014
(\$000)

	2013	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	2014
	DEC												DEC
ASSETS:													
Utility Plant													
Electric Plant in Service	4,689,271	4,725,430	4,762,846	4,805,250	4,844,262	4,876,026	4,908,734	4,940,789	4,972,708	5,010,318	5,054,074	5,101,166	5,145,368
Accum Prov & Amort	1,485,261	1,495,382	1,503,891	1,514,150	1,525,321	1,537,277	1,549,055	1,560,514	1,572,245	1,583,764	1,595,333	1,606,459	1,615,470
Net Elec & Plant In Service	3,204,010	3,230,048	3,258,955	3,291,100	3,318,941	3,338,749	3,359,679	3,380,275	3,400,463	3,426,554	3,458,741	3,494,707	3,529,898
Other Property & Investments													
Other Special Funds	101,452	102,543	101,786	101,029	100,278	99,528	98,777	98,034	97,292	96,549	95,813	95,077	94,341
Non-Utility Property-Net	13,055	13,051	13,047	13,043	13,038	13,034	13,030	13,025	13,021	13,016	13,011	13,007	13,002
Other Property & Investments	2,588	2,589	2,590	2,592	2,593	2,595	2,597	2,598	2,600	2,603	2,606	2,609	2,612
Total Other Property & Invest	117,095	118,183	117,423	116,664	115,909	115,157	114,404	113,657	112,913	112,168	111,430	110,693	109,955
Current Assets													
Cash & Cash Equivalents	6,011	6,011	6,011	6,011	6,011	6,011	6,011	6,011	6,011	6,011	6,011	6,011	6,011
Special Deposits	18	18	18	18	18	18	18	18	18	18	18	18	18
Working Funds	378	378	379	379	378	378	378	379	378	378	379	379	379
Temporary Cash Investments	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts & Notes Receivable:													
Customer Accounts Receivable	68,099	76,272	75,591	62,318	62,731	63,521	79,831	90,322	88,194	97,255	83,301	68,472	72,615
Accrued Unbilled Revenues	54,079	52,567	43,950	44,696	44,641	59,262	64,950	67,807	68,224	58,458	47,235	49,618	54,870
Other Accts/Notes Receivable	11,859	13,148	13,003	12,857	12,712	12,567	12,422	12,588	12,442	12,296	12,151	12,005	11,859
Accum Prov for Uncoll Accts	1,799	2,242	2,220	1,708	1,510	1,440	1,426	1,593	1,588	1,933	1,768	1,478	1,910
Rec. From Assoc. Companies	15,684	14,742	13,006	11,306	10,640	8,542	12,263	17,544	20,586	16,009	10,299	12,289	10,946
Interest & Dividends Receivable	9	15	16	16	23	23	23	30	31	31	37	37	37
Materials & Supplies:													
Fuel Stock	110,709	105,275	104,992	103,413	101,588	100,584	95,837	88,022	81,593	76,908	73,083	74,747	77,277
In-Transit Coal	12,770	10,562	12,855	12,579	12,855	11,020	11,020	10,561	10,562	11,020	11,020	10,562	10,562
Pit Materials & Supplies	60,820	60,653	60,506	60,345	60,179	60,007	60,262	60,805	60,610	60,418	60,240	60,084	59,954
Prepayments	13,506	13,919	14,201	14,483	14,764	16,132	16,411	16,689	17,062	17,341	17,619	22,575	22,838
Misc Current & Accrued Assets	4,357	4,357	4,357	4,357	4,357	4,357	4,357	4,360	4,357	4,357	4,357	4,357	4,357
Total Current Assets	356,500	355,675	346,665	331,070	329,387	340,982	362,357	373,543	368,480	358,567	323,982	319,676	329,813
Deferred Debits													
Unamortized Debt Expense	7,721	7,677	7,632	7,588	7,543	7,499	7,454	7,410	7,365	7,321	7,278	7,235	7,192
Accum Deferred Income Tax	74,155	74,565	74,975	75,385	75,795	76,205	76,615	77,025	77,435	77,845	78,255	78,665	79,075
Regulatory Tax Asset	49,216	49,750	50,283	50,817	51,350	51,884	52,417	52,951	53,485	54,018	54,552	55,085	55,619
Unamortized Loss Reacq Debt	15,048	14,937	14,827	14,717	14,607	14,497	14,386	14,276	14,166	14,056	13,946	13,836	13,732
Other Deferred Debits	467,838	469,813	471,565	472,872	474,750	474,351	471,936	470,090	468,019	465,605	463,759	461,689	459,563
Total Deferred Debits	613,978	616,742	619,282	621,379	624,045	624,436	622,808	621,752	620,470	618,845	617,790	616,510	615,181
Total Assets	4,291,583	4,320,648	4,342,325	4,360,213	4,388,282	4,419,324	4,459,248	4,489,227	4,502,326	4,516,134	4,511,943	4,541,586	4,584,847

Florida Public Service Commission
Docket No. 130140-EI
GULF POWER COMPANY
Witness: Susan D. Ritehour
Exhibit No. _____ (SDR-1)
Schedule 7
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GULF POWER COMPANY
BALANCE SHEET
For the Period December 2013 through December 2014
(\$000)

	2013												2014
	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
CAPITALIZATION & LIABILITIES:													
Common Equity													
Common Stock	393,060	393,060	393,060	393,060	393,060	393,060	393,060	393,060	393,060	393,060	393,060	393,060	393,060
Other Paid-In Capital	596,782	717,681	717,931	720,072	720,210	720,353	721,813	721,952	722,090	723,545	723,680	723,761	725,213
Capital Stock Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings	244,364	223,890	227,819	232,528	206,210	215,250	229,230	216,327	233,142	245,931	220,489	224,274	231,360
Total Common Equity	1,234,206	1,334,631	1,338,810	1,345,660	1,319,480	1,328,663	1,344,103	1,331,339	1,348,292	1,362,536	1,337,229	1,341,095	1,349,633
Preference Stock													
Preference Stock	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998
Trust Preferred Stock	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Preferred Stock	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998	147,998
Debt													
Pollution Control Bonds	308,955	308,955	308,955	308,955	308,955	308,955	308,955	308,955	308,955	308,955	308,955	308,955	308,955
Long-Term Notes	940,000	940,000	940,000	940,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,075,000	1,075,000	1,075,000
Unamortized Premiums & Disc	(7,498)	(7,451)	(7,404)	(7,356)	(7,309)	(7,262)	(7,215)	(7,167)	(7,120)	(7,073)	(7,030)	(6,987)	(6,944)
Total Debt	1,241,457	1,241,504	1,241,551	1,241,599	1,311,646	1,311,693	1,311,740	1,311,788	1,311,835	1,311,882	1,376,925	1,376,968	1,377,011
Total Capitalization	2,623,661	2,724,133	2,728,359	2,735,257	2,779,124	2,788,354	2,803,841	2,791,125	2,808,125	2,822,416	2,862,152	2,866,061	2,874,642
Current Liabilities													
Short-Term Notes Payable	119,499	3,321	17,213	61,364	19,848	21,280	73,858	62,364	44,240	82,705	3,467	38,293	124,165
Accounts Payable:													
Construction Related Acc ^{ts} Payable	7,110	12,507	13,177	14,484	13,068	10,363	10,676	10,427	10,207	11,432	13,665	15,215	13,095
Other Accounts Payable	59,900	63,965	58,897	59,292	59,493	59,500	59,510	59,469	60,590	59,451	65,490	64,246	60,035
Payables to Assoc. Companies	42,841	37,132	31,721	31,752	30,293	36,222	38,356	47,485	42,139	40,502	36,221	38,333	41,155
Total Accounts Payable	109,851	113,604	103,795	105,528	102,854	106,085	108,542	117,381	112,936	111,385	115,376	117,794	114,285
Customer Deposits	35,075	35,136	35,191	35,239	35,286	35,334	35,396	35,441	35,476	35,477	35,482	35,498	35,519
Taxes Accrued	2,478	7,102	8,086	9,522	3,314	7,394	7,504	16,674	25,552	17,288	18,487	19,069	2,478
Interest Accrued	9,290	12,603	16,404	13,555	11,870	16,258	9,912	12,571	16,801	14,247	12,007	16,741	11,650
Dividends Declared	2,196	30,856	31,596	2,196	30,856	31,596	2,196	30,856	31,596	2,196	30,856	31,596	2,196
Accrued Vacations	9,651	9,651	9,651	9,651	9,651	9,651	9,651	9,651	9,651	9,651	9,651	9,651	9,941
Tax Collections Payable	7,862	4,594	6,639	8,236	10,087	12,369	15,979	18,652	21,620	24,330	26,361	6,952	8,457
Other Current Liabilities	42,575	44,168	45,302	35,207	36,379	36,883	37,904	38,921	39,938	39,663	40,587	41,607	42,891
Total Current Liabilities	338,477	261,035	273,877	280,498	260,145	276,850	300,942	342,511	337,810	336,942	292,274	317,201	351,582
Deferred Credits													
Unamortized ITC	4,106	4,002	3,900	3,798	3,696	3,594	3,492	3,390	3,288	3,186	3,084	2,982	2,880
Other Deferred Credits	273,428	276,650	278,463	280,035	281,788	284,094	281,635	279,951	277,943	275,501	273,425	271,417	268,890
Total Deferred Credits	277,534	280,652	282,363	283,833	285,484	287,688	285,127	283,341	281,231	278,687	276,509	274,399	271,770

Florida Public Service Commission
Docket No. 130140-EI
GULF POWER COMPANY
Witness: Susan D. Rihanour
Exhibit No. _____ (SDR-1)
Schedule 7
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GULF POWER COMPANY
BALANCE SHEET
For the Period December 2013 through December 2014
(\$000)

	<u>2013</u>											<u>2014</u>	
	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>
<u>Operating Reserves</u>													
Property Insurance Reserve	35,094	35,363	35,635	35,906	36,183	36,461	36,739	37,025	37,310	37,596	37,888	38,180	38,473
Injuries & Damages Reserve	3,256	3,272	3,288	3,304	3,321	3,337	3,353	3,369	3,386	3,402	3,418	3,434	3,451
Accum Prov for Rate Refunds	0	0	0	0	0	0	0	0	0	0	0	0	0
Empl Pension & Insurance Reserve	224,240	224,400	224,537	224,676	224,813	224,950	225,089	225,226	225,362	225,516	225,654	225,791	225,929
Asset Retirement Reserve	16,055	16,055	16,055	16,055	16,055	16,055	16,055	16,055	16,055	16,055	16,055	16,055	16,055
Total Operating Reserves	278,645	279,090	279,515	279,941	280,372	280,803	281,236	281,675	282,113	282,569	283,015	283,460	283,908
<u>Deferred Tax Related Items</u>													
ADIT Accts 281, 282, 283	768,139	770,713	773,287	775,861	778,435	781,009	783,583	786,157	788,731	791,305	793,879	796,453	799,034
Regulatory Tax Liability	5,127	5,025	4,924	4,823	4,722	4,620	4,519	4,418	4,316	4,215	4,114	4,012	3,911
Total Deferred Taxes	773,266	775,738	778,211	780,684	783,157	785,629	788,102	790,575	793,047	795,520	797,993	800,465	802,945
Total Capital & Liabilities	4,291,583	4,320,648	4,342,325	4,360,213	4,388,282	4,419,324	4,459,248	4,489,227	4,502,326	4,516,134	4,511,943	4,541,586	4,584,847

GULF POWER COMPANY
INCOME STATEMENT
For the Twelve Months Ended December 31, 2014
(\$000)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>12 MONTHS ENDED DEC 2014</u>
OPERATING REVENUES:													
<u>Residential</u>													
Base	25,724	21,257	20,640	19,622	25,391	29,679	32,379	31,588	27,418	22,165	20,116	23,835	299,814
Fuel	22,448	16,942	16,008	15,687	21,503	25,630	27,815	27,156	22,675	17,915	15,793	19,822	249,394
Conservation	911	900	997	939	1,025	1,311	1,148	1,134	1,201	923	904	1,030	12,423
Capacity	1,497	1,497	1,444	1,444	1,761	3,715	3,130	3,915	3,687	3,923	3,816	3,866	33,695
Environmental	5,609	5,807	6,249	5,632	5,832	6,049	5,806	5,932	5,905	5,710	5,752	6,055	70,338
Total Residential Revenues	56,189	46,403	45,338	43,324	55,512	66,384	70,278	69,725	60,886	50,636	46,381	54,608	665,664
<u>Commercial</u>													
Base	12,450	11,244	12,012	12,004	13,721	14,233	15,032	15,077	14,147	13,370	11,955	12,168	157,413
Fuel	15,161	12,816	14,222	15,053	17,704	18,373	19,222	19,271	17,503	16,467	13,905	14,391	194,088
Conservation	615	681	886	901	844	939	794	804	927	848	796	747	9,782
Capacity	811	811	783	783	954	2,013	1,697	2,122	1,998	2,126	2,068	2,095	18,261
Environmental	3,466	3,587	3,859	3,473	3,597	3,733	3,584	3,660	3,639	3,519	3,531	3,718	43,366
Total Commercial Revenues	32,503	29,139	31,762	32,214	36,820	39,291	40,329	40,934	38,214	36,330	32,255	33,119	422,910
<u>Industrial</u>													
Base	2,478	2,192	2,509	2,567	2,798	4,051	4,591	4,681	4,557	2,817	2,435	2,465	38,141
Fuel	6,355	5,271	6,249	6,603	7,496	7,180	7,850	8,021	7,132	7,274	6,326	6,164	81,921
Conservation	258	279	389	395	357	367	325	335	378	375	362	320	4,140
Capacity	366	366	353	353	430	908	765	957	901	959	933	945	8,236
Environmental	2,741	2,838	3,054	2,745	2,841	2,952	2,834	2,894	2,875	2,779	2,780	2,926	34,259
Total Industrial Revenues	12,198	10,946	12,554	12,663	13,922	15,458	16,365	16,888	15,843	14,204	12,836	12,820	166,697
<u>Street Lighting</u>													
Base	260	260	260	260	260	260	260	260	260	260	260	261	3,121
Fuel	106	100	101	103	103	100	98	98	98	103	101	102	1,213
Conservation	4	5	6	6	5	5	4	4	5	5	6	5	60
Capacity	2	2	2	2	3	5	4	6	5	6	5	5	47
Environmental	108	113	121	108	112	117	111	114	113	109	109	114	1,349
Total Street Lighting Revenues	480	480	490	479	483	487	477	482	481	483	481	487	5,790
Additional Gross Receipts Tax	2,640	2,453	2,294	2,277	2,364	2,975	3,197	3,275	3,212	2,896	2,298	2,460	32,341
Tot Base Revenues (incl Gross Recpts)	43,552	37,406	37,715	36,730	44,534	51,198	55,459	54,881	49,594	41,508	37,064	41,189	530,830
Tot Fuel Revenues	44,070	35,129	36,580	37,446	46,806	51,283	54,985	54,546	47,408	41,759	36,125	40,479	526,616
Total Conservation	1,788	1,865	2,278	2,241	2,231	2,622	2,271	2,277	2,277	2,511	2,068	2,102	26,405
Total Capacity	2,676	2,676	2,582	2,582	3,148	6,641	5,596	7,000	6,591	7,014	6,822	6,911	60,239
Total Environmental	11,924	12,345	13,283	11,958	12,382	12,851	12,335	12,600	12,532	12,117	12,172	12,813	149,312
Total Retail Revenues	104,010	89,421	92,438	90,957	109,101	124,595	130,646	131,304	118,636	104,549	94,251	103,494	1,293,402

Florida Public Service Commission
Docket No. 130140-EI
GULF POWER COMPANY
Witness: Susan D. Ritenour
Exhibit No. _____ (SDR-1)
Schedule B
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GULF POWER COMPANY
INCOME STATEMENT
For the Twelve Months Ended December 31, 2014
(\$000)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>12 MONTHS ENDED DEC 2014</u>
Sales for Resale - Territorial													
Total Sales For Resale - Territorial	2,790	2,498	2,471	2,439	2,770	2,962	3,137	3,163	2,889	2,630	2,531	2,797	33,077
Total Territorial Revenues	106,800	91,919	94,909	93,396	111,871	127,557	133,783	134,467	121,525	107,179	96,782	106,291	1,326,479
Non-Territorial Sales													
Total Assoc. Co. Revenues	7,282	5,838	5,378	3,774	2,721	5,723	10,215	12,726	8,014	4,180	8,051	6,459	80,361
Total Non-Assoc Co. Revenues	8,583	8,193	8,521	8,371	8,628	8,552	8,712	8,760	8,572	8,700	4,594	6,248	96,434
Total Non-Territorial Revenues	15,865	14,031	13,899	12,145	11,349	14,275	18,927	21,486	16,586	12,880	12,645	12,707	176,795
Other Operating Revenue	6,116	5,687	5,236	5,127	5,335	6,211	6,518	6,329	6,232	5,660	5,255	5,465	69,171
Total Electric Revenues	128,781	111,637	114,044	110,668	128,555	148,043	159,228	162,282	144,343	125,719	114,682	124,463	1,572,445
ELECTRIC O&M:													
Steam Power Generation Fuel Cost													
Coal	27,327	17,916	20,822	22,722	23,247	28,310	32,563	36,345	27,456	25,261	17,357	19,434	298,760
Gas	289	245	200	237	278	238	280	281	239	283	286	249	3,105
Oil	160	128	143	118	157	153	156	156	152	155	107	88	1,673
Total Steam Fuel Cost	27,776	18,289	21,165	23,077	23,682	28,701	32,999	36,782	27,847	25,699	17,750	19,771	303,538
Fuel Handling	528	524	557	522	627	526	504	531	527	631	537	530	6,544
Steam O&M	7,980	13,067	11,763	10,026	9,513	8,945	8,142	8,617	8,964	12,308	10,648	10,896	120,869
Emissions	73	20	40	37	57	62	86	83	63	50	54	45	670
Total Steam Power Generation	36,357	31,900	33,525	33,662	33,879	38,234	41,731	46,013	37,401	38,688	28,989	31,242	431,621
Other Power Generation													
Fuel Cost: Gas & Oil	25,408	24,323	21,495	20,113	22,530	29,253	32,574	32,503	29,513	21,261	25,017	26,251	310,241
Other Pwr Generation Fuel Cost	25,408	24,323	21,495	20,113	22,530	29,253	32,574	32,503	29,513	21,261	25,017	26,251	310,241
Other Power Gen O&M	670	725	908	1,766	1,083	781	787	783	769	821	1,763	754	11,610
Total Other Power Generation	26,078	25,048	22,403	21,879	23,613	30,034	33,361	33,286	30,282	22,082	26,780	27,005	321,851
Purchased Power													
Total So. Pool Purchases	1,293	1,206	2,786	1,710	7,565	2,223	1,593	1,126	827	2,849	637	842	24,657
Non Associated Purchases	2,680	2,476	2,117	1,939	2,633	7,400	7,586	7,594	7,460	6,804	7,228	7,445	63,362
Total Purchased Power	3,973	3,682	4,903	3,649	10,198	9,623	9,179	8,720	8,287	9,653	7,865	8,287	88,019
Other Power Supply Expense	262	327	371	328	461	316	292	319	339	451	336	324	4,126
Total Other Power Supply Expenses	262	327	371	328	461	316	292	319	339	451	336	324	4,126
Total Power Production Expense	66,670	60,957	61,202	59,518	68,151	78,207	84,563	88,338	76,309	70,874	63,970	66,858	845,617
Total Prod Non-Fuel O&M	9,440	14,643	13,599	12,642	11,684	10,568	9,725	10,250	10,599	14,211	13,284	12,504	143,149

GULF POWER COMPANY
INCOME STATEMENT
For the Twelve Months Ended December 31, 2014
(\$000)

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>12 MONTHS ENDED DEC 2014</u>
Transmission O&M	2,259	2,393	2,483	2,520	2,603	2,188	2,152	2,250	2,186	2,298	2,073	1,981	27,386
Distribution O&M	4,264	3,609	3,868	3,857	3,482	4,075	3,768	3,750	3,889	3,828	3,588	3,760	45,738
Cust Accts, Serv, and Sales	5,586	4,859	4,960	5,269	5,867	5,907	5,378	5,280	5,606	5,297	5,576	6,258	65,843
Admin & General Expense	7,003	6,935	7,806	7,209	7,544	7,380	7,214	7,139	7,505	8,159	7,432	7,670	88,996
Total Non-Production O&M	19,112	17,796	19,117	18,855	19,496	19,550	18,512	18,419	19,186	19,582	18,669	19,669	227,963
Total Non-Fuel O&M	28,552	32,439	32,716	31,497	31,180	30,118	28,237	28,669	29,785	33,793	31,953	32,173	371,112
Total O&M	85,782	78,753	80,319	78,373	87,647	97,757	103,075	106,757	95,495	90,456	82,639	86,527	1,073,580
Depreciation Expense	12,328	12,342	12,367	12,402	12,426	12,447	12,479	12,498	12,517	12,536	12,553	12,574	149,469
Amort ITC	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(102)	(1,224)
Amort of Property	595	591	570	570	570	570	570	570	570	570	570	568	6,884
Electric Income Taxes	6,208	2,610	3,063	2,439	5,672	8,757	10,760	10,468	7,932	2,830	2,185	4,244	67,168
Taxes Other	9,464	8,794	8,405	8,272	8,492	9,886	10,487	10,631	10,553	9,758	8,283	8,748	111,773
Total Depr, Amort & Taxes	28,493	24,235	24,303	23,581	27,058	31,558	34,194	34,065	31,470	25,592	23,489	26,032	334,070
Total Utility Operating Income	14,506	8,649	9,422	8,714	13,850	18,728	21,959	21,460	17,378	9,671	8,554	11,904	164,795
Other Income & Deductions													
AFUDC - Equity	734	794	854	921	976	1,020	1,065	1,110	1,159	1,220	1,290	1,324	12,467
Earnings on Temporary Cash	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Income	81	82	81	80	79	77	73	73	78	81	81	83	949
Other Income Deductions	288	399	400	336	309	334	297	299	362	413	338	364	4,139
Taxes Other Than Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0
Income Taxes	(54)	(96)	(97)	(73)	(63)	(74)	(61)	(61)	(84)	(102)	(74)	(82)	(921)
Total Other Income	581	573	632	738	809	837	902	945	959	990	1,107	1,125	10,198
Income Before Interest	15,087	9,222	10,054	9,452	14,659	19,565	22,861	22,405	18,337	10,661	9,661	13,029	174,993
Interest Charges													
Interest On Long-Term Debt	4,771	4,698	4,771	5,091	5,115	5,091	5,130	5,130	5,105	5,556	5,531	5,553	61,542
Interest on Short-Term Debt	31	5	20	22	11	26	51	40	48	48	23	91	416
Amort DD&P Gains/Losses	202	202	202	202	202	202	202	202	202	196	196	190	2,400
Other Interest Expense	67	67	68	68	68	68	68	68	68	68	68	68	814
AFUDC - Debt	(390)	(421)	(453)	(489)	(518)	(541)	(565)	(589)	(615)	(647)	(684)	(703)	(6,615)
Total Interest	4,681	4,551	4,608	4,894	4,878	4,846	4,886	4,851	4,808	5,221	5,134	5,199	58,557
Income Before Dividends	10,406	4,671	5,446	4,558	9,781	14,719	17,975	17,554	13,529	5,440	4,527	7,830	116,436
Dividends on Preferred Stock	740	740	740	740	740	740	740	740	740	740	740	740	8,880
Net Income	9,666	3,931	4,706	3,818	9,041	13,979	17,235	16,814	12,789	4,700	3,787	7,090	107,556

Florida Public Service Commission
Docket No. 130140-EI
GULF POWER COMPANY
Witness: Susan D. Ritenour
Exhibit No. _____ (SDR-1)
Schedule 8
Page 3 of 3

**GULF POWER COMPANY
UTILITY PLANT BALANCES**
For the Period Ended December 2013 through December 2014
(\$000)

	2013 DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	2014 DEC
CAPITAL SUPPLEMENTAL SCHEDULE													
Non Depreciable:													
Beginning Balance	27,950	27,950	27,950	27,950	27,950	27,950	27,973	27,973	27,973	27,973	27,973	27,997	27,997
Placed in Service	0	0	0	0	0	23	0	0	0	0	23	0	0
Retirements	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance End of Period	27,950	27,950	27,950	27,950	27,950	27,973	27,973	27,973	27,973	27,973	27,997	27,997	27,997
Depreciable:													
Beginning Balance	4,352,806	4,398,768	4,401,519	4,409,353	4,421,553	4,429,506	4,436,794	4,448,179	4,456,118	4,462,516	4,469,668	4,476,030	4,484,028
Placed in Service	49,554	5,221	11,183	14,524	9,579	8,168	12,357	9,236	7,529	8,376	7,467	9,227	111,543
Retirements	3,591	2,470	3,349	2,325	1,625	881	972	1,297	1,130	1,223	1,106	1,229	3,864
Balance End of Period	4,398,768	4,401,519	4,409,353	4,421,553	4,429,506	4,436,794	4,448,179	4,456,118	4,462,516	4,469,668	4,476,030	4,484,028	4,591,706
Plant Held for Future Use:													
Beginning Balance	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456
Adjustments & Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance End of Period	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456	18,456
Construction Work in Progress:													
Beginning Balance	265,144	242,066	275,495	305,098	335,324	366,405	390,879	412,222	436,360	461,902	492,381	529,773	568,889
Expenditures	26,475	38,650	40,786	44,750	40,659	32,666	33,701	33,373	33,071	38,854	44,883	48,343	48,087
Placed in Service	49,554	5,221	11,183	14,524	9,579	8,192	12,357	9,236	7,529	8,376	7,491	9,227	111,543
Balance End of Period	242,066	275,495	305,098	335,324	366,405	390,879	412,222	436,360	461,902	492,381	529,773	568,889	505,433
Plant Acquisition Adjustment:													
Beginning Balance	2,052	2,031	2,010	1,988	1,967	1,946	1,925	1,903	1,882	1,861	1,839	1,818	1,797
Adjustments & Transfers	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)
Balance End of Period	2,031	2,010	1,988	1,967	1,946	1,925	1,903	1,882	1,861	1,839	1,818	1,797	1,776
Total Utility Plant:													
Beginning Balance	4,666,408	4,689,271	4,725,430	4,762,846	4,805,250	4,844,262	4,876,026	4,908,734	4,940,789	4,972,708	5,010,318	5,054,074	5,101,166
Expenditures	26,475	38,650	40,786	44,750	40,659	32,666	33,701	33,373	33,071	38,854	44,883	48,343	48,087
Retirements	3,591	2,470	3,349	2,325	1,625	881	972	1,297	1,130	1,223	1,106	1,229	3,864
Adjustments & Transfers	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)
Balance End of Period	4,689,271	4,725,430	4,762,846	4,805,250	4,844,262	4,876,026	4,908,734	4,940,789	4,972,708	5,010,318	5,054,074	5,101,166	5,145,368
Accumulated Provision:													
Beginning Balance	1,476,365	1,485,261	1,495,382	1,503,891	1,514,150	1,525,321	1,537,277	1,549,055	1,560,514	1,572,245	1,583,764	1,595,333	1,606,459
Provision for Depreciation	12,408	12,537	12,551	12,576	12,612	12,636	12,657	12,689	12,710	12,731	12,752	12,772	12,794
Provision for Amortization	509	512	510	487	487	487	487	487	487	487	487	487	485
Retirements	3,591	2,470	3,349	2,325	1,625	881	972	1,297	1,130	1,223	1,106	1,229	3,864
Removal	496	542	1,289	567	382	344	492	519	453	586	667	1,008	474
Salvage	(67)	(83)	(86)	(87)	(79)	(59)	(97)	(100)	(118)	(112)	(103)	(105)	(70)
Adjustments & Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance End of Period	1,485,261	1,495,382	1,503,891	1,514,150	1,525,321	1,537,277	1,549,055	1,560,514	1,572,245	1,583,764	1,595,333	1,606,459	1,615,470

Totals may not add due to rounding.

Gulf Power Company
13-Month Average Rate Base
for the Period Ended December 31, 2014
(Thousands of Dollars)

Description	(1) Total System	(2) Regulatory Adjustments *	(3) Adj #	(4) UPS Amounts	(5) Total System Adjusted	(6) Jurisdictional Factor **	Jurisdictional Adjusted Rate Base
Plant-in-Service	4,480,719	(1,089,643)	(1-5)	(391,179)	2,999,897	0.9814230	2,944,168
Accumulated Depreciation and Amortization	1,549,548	(151,504)	(6-11)	(129,995)	1,268,049	0.9804976	1,243,319
Net Plant-in-Service	2,931,171	(938,139)		(261,184)	1,731,848	0.9821006	1,700,849
Plant Held for Future Use	18,456	(13,021)	(12)		5,435	0.9707452	5,276
Construction Work-in-Progress	409,402	(375,555)	(13-14)	(6,557)	27,290	0.9767680	26,656
Plant Acquisition Adjustment	1,903			(1,903)	-		
Net Utility Plant	3,360,932	(1,326,715)		(269,644)	1,764,573	0.9819832	1,732,781
Working Capital Allowance (Per Schedule 11)	157,498	6,122	(15)	(8,424)	155,196	0.9737364	151,120
Total Rate Base	3,518,430	(1,320,593)		(278,068)	1,919,769		1,883,901

* See Page 2

** See O'Sheasy Exhibit MTO-2

Florida Public Service Commission
 Docket No. 130140-EI
GULF POWER COMPANY
 Witness: Susan D. Ritenour
 Exhibit No. _____ (SDR-1)
 Schedule 10
 Page 1 of 2

Gulf Power Company
Schedule of Adjustments to Test Year
13-Month Average Rate Base
for the Period Ended December 31, 2014
(Thousands of Dollars)

Description of Adjustments	(1) Total System Adjustment	(2) Jurisdictional Allocation Factor	(3) Total Jurisdictional Adjustment	(4) Jurisdictional Revenue Effect
(1) Plant-in-Service - Environmental Cost Recovery Clause	(1,060,314)	0.9702233	(1,028,741)	(96,747)
(2) Plant-in-Service - Conservation Cost Recovery Clause	(14,764)	1.0000000	(14,764)	(1,388)
(3) Plant-in-Service - Asset Retirement Obligations	(8,037)	0.9706671	(7,801)	(734)
(4) Plant-in-Service - Perdido Unit 3	(4,460)	0.9701832	(4,327)	(407)
(5) Plant-in-Service - Distribution New Business	(2,068)	0.9999470	(2,068)	(194)
(6) Accumulated Depreciation - Environmental Cost Recovery Clause	166,377	0.9702219	161,423	15,181
(7) Accumulated Depreciation - Conservation Cost Recovery Clause	(3,586)	1.0000000	(3,586)	(337)
(8) Accumulated Depreciation - Asset Retirement Obligations	(11,479)	0.9699795	(11,134)	(1,047)
(9) Accumulated Depreciation - Perdido Unit 3	127	0.9701838	123	12
(10) Accumulated Depreciation - Distribution New Business	22	0.9999456	22	2
(11) Accumulated Depreciation - 2013 Depr & Dismantlement Studies	43	Various	62	6
(12) Plant Held for Future Use - North Escambia	(13,021)	0.9702652	(12,634)	(1,188)
(13) CWIP - Interest Bearing	(312,857)	0.9767680	(305,589)	(28,739)
(14) CWIP - Non Interest Bearing - Environmental Cost Recovery Clause	(62,698)	0.9701895	(60,829)	(5,721)
(15) Working Capital Adjustments (See Schedule 11)	6,122	0.9737364	5,961	561
Total Adjustments	<u>(1,320,593)</u>		<u>(1,283,882)</u>	<u>(120,740)</u>

Florida Public Service Commission
 Docket No. 130140-EI
 GULF POWER COMPANY
 Witness: Susan D. Ritenour
 Exhibit No. _____ (SDR-1)
 Schedule 10
 Page 2 of 2

Gulf Power Company
13-Month Average Working Capital
For the Period Ended December 31, 2014
(Thousands of Dollars)

Description	Other Prop & Investments	Current Assets	Deferred Debits	Operating Reserves	Current Liabilities	Deferred Credits	Total
Total Company Working Capital Less Non - Utility	101,252	345,902	468,604	(281,257)	(199,833)	(277,170)	157,498
Less Regulatory Adjustments for:							
Items Earning or Paying a Return							
Funded Property Insurance Reserve	22,726			(22,726)			-
Funded Portion of Def Comp Assets	2,598					(2,598)	-
Loans To Employees & Retirees		38					38
Interest & Dividends Receivable		25					25
Recovery Clause Items							
Energy Select Inventory (ECCR)		2,466					2,466
Environmental Allowances (ECRC)		6,783	624				7,407
Environmental Allowance & Deferred Gain (ECRC)						(204)	(204)
Other Regulatory Items							
Minimum Pension Funding (FAS 158)	2,455		154,167	(154,167)		(2,455)	-
PPA Deferred Assets and Liabilities			191,514			(191,514)	-
Hedge Assets and Liabilities			27,112		(27,112)		-
Increase in Property Damage Reserve Accrual				2,750			2,750
Asset Retirement Obligation (FAS 143)			5,382	(16,055)		(14,326)	(24,999)
North Escambia Site Costs			5,149				5,149
Unamort. 2011 Rate Case Expenses			1,246				1,246
Total Regulatory Adjustments	27,779	9,312	385,194	(190,198)	(27,112)	(211,097)	(6,122)
TOTAL ADJUSTED WORKING CAPITAL	73,473	336,590	83,410	(91,059)	(172,721)	(66,073)	163,620
Less: UPS Working Capital	0	13,761	1,881	(1,471)	(4,157)	(1,590)	8,424
TOTAL SYSTEM ADJUSTED ON SCHEDULE 10	73,473	322,829	81,529	(89,588)	(168,564)	(64,483)	155,196

Florida Public Service Commission
 Docket No. 130140-EI
GULF POWER COMPANY
 Witness: Susan D. Ritenour
 Exhibit No. _____ (SDR-1)
 Schedule 11
 Page 1 of 1

Gulf Power Company
Net Operating Income
For the Twelve Months Ended December 31, 2014
(Thousands of Dollars)

Description	(1) Total System	(2) Regulatory Adjustments *	(3) Adjust No.	(4) UPS Amounts	(5) System Adjusted	(6) Jurisdictional Factor **	(6) Jurisdictional Adjusted NOI
Operating Revenues:							
Sales of Electricity	1,503,274	(926,938)	(1,2,3,4,6)	(58,261)	518,075	0.9759591	505,620
Other Operating Revenues	69,171	(42,247)	(5)	-	26,924	0.8554078	23,031
Total Operating Revenues	1,572,445	(969,185)		(58,261)	544,999	0.9700036	528,651
Operating Expenses:							
Operation & Maintenance Expense							
Recoverable Fuel	650,274	(650,274)	(7-10)				
Recoverable Capacity	65,247	(65,247)	(11-12)				
Recoverable Conservation	23,520	(23,520)	(13)				
Recoverable Environmental	29,077	(29,077)	(14)				
Other Operation & Maintenance	305,462	3,146	(15-24, 26)	(12,692)	295,916	0.9806803	290,199
Depreciation & Amortization	156,353	(41,951)	(25, 27-30)	(7,975)	106,427	0.9819407	104,505
Amortization of Investment Tax Credit	(1,224)			330	(894)	0.9821029	(878)
Taxes Other Than Income Taxes	111,773	(78,032)	(31-37)	(1,119)	32,622	0.9783888	31,917
Income Taxes:							
Federal	46,880	(21,921)	(38-39)	(8,526)	16,433	0.9038265	14,852
State	1,934	(3,646)	(38-39)	(354)	(2,066)	0.9038265	(1,867)
Deferred Income Taxes - Net							
Federal	10,764			(1,958)	8,806	0.9038265	7,959
State	7,590			(1,389)	6,201	0.9038265	5,605
Total Operating Expenses	1,407,650	(910,522)		(33,683)	463,445		452,292
Net Operating Income	164,795	(58,663)		(24,578)	81,554		76,359

* See Pages 2 and 3

** See O'Sheasy Exhibit MTO-2

Gulf Power Company
Schedule of Adjustments to NOI
For the Twelve Months Ended December 31, 2014
Revenues
(Thousands of Dollars)

Description of Adjustment	Schedule Reference	(1) System Amount	(2) Allocation Factor	(3) Jurisdictional Amount	(4) NOI Effect	(5) Revenue Effect
(1) Fuel Clause Revenues	Schedule 13	(651,123)	Direct	(597,603)	(367,078)	599,795
(2) PPCC Recovery Clause Revenues	Schedule 14	(63,154)	Direct	(63,054)	(38,731)	63,285
(3) ECCR Clause Revenues	Schedule 15	(26,405)	Direct	(26,405)	(16,219)	26,501
(4) ECRC Clause Revenues	Schedule 16	(153,917)	Direct	(149,312)	(91,715)	149,860
(5) Franchise Fee Revenues		(42,247)	1.0000000	(42,247)	(25,950)	42,402
(6) Gross Receipts Tax Revenues		(32,339)	1.0000000	(32,339)	(19,864)	32,457
Total Revenue Adjustments		<u>(969,185)</u>		<u>(910,960)</u>	<u>(559,557)</u>	<u>914,300</u>

Abbreviations:

PPCC - Purchased Power Capacity Cost
ECCR - Energy Conservation Cost Recovery
ECRC - Environmental Cost Recovery Clause

**Gulf Power Company
Schedule of Adjustments to NOI
For the Twelve Months Ended December 31, 2014
Expenses
(Thousands of Dollars)**

	(1)	(2)	(3)	(4)	(5)		
Adj No.	Description of Adjustment	Schedule Reference	System Amount	Allocation Factor	Jurisdictional Amount	NOI Effect	Revenue Effect
(7)	Total Fuel Expense	Sch. 13	(613,779)	0.9206164	(565,055)	347,085	(567,127)
(8)	Interchange Energy-Fuel Portion	Sch. 13	(35,992)	0.8805846	(31,694)	19,468	(31,810)
(9)	Purchase Power Transm Recov Through Fuel	Sch. 13	(403)	0.9702233	(391)	240	(392)
(10)	Peabody Litigation Fees	Sch. 13	(100)	0.9700000	(97)	60	(98)
(11)	PPCC Production Expenses Included in O&M	Sch. 14	(52,026)	0.9657346	(50,243)	30,862	(50,428)
(12)	PPCC Transmission Expenses Included in O&M	Sch. 14	(13,221)	0.9657346	(12,768)	7,843	(12,815)
(13)	ECCR Expense in O&M	Sch. 15	(23,520)	1.0000000	(23,520)	14,447	(23,606)
(14)	ECRC Expense in O&M	Sch. 16	(29,077)	0.9698043	(28,199)	17,321	(28,302)
(15)	Marketing Support Activities		(156)	1.0000000	(156)	96	(157)
(16)	Wholesale Sales Exp		(255)	1.0000000	(255)	157	(257)
(17)	Institutional Advertising		(30)	0.9835526	(30)	18	(29)
(18)	Economic Development Expenses		(63)	0.9997389	(63)	39	(64)
(19)	Management Financial Planning		(41)	0.9835526	(40)	25	(41)
(20)	Increase in Property Damage Reserve Accrual		5,500	0.9845096	5,415	(3,326)	5,435
(21)	Tallahassee Liaison Expenses - O&M		(306)	0.9835526	(301)	185	(302)
(22)	Amortization of Rate Case Expenses	Sch. 17	930	1.0000000	930	(571)	933
(23)	Hiring Lag Adjustment to O&M		(558)	0.9836779	(549)	337	(551)
(24)	Perdido Unit 3 Adjustment - Production O&M		(400)	0.9705189	(388)	238	(389)
(25)	Perdido Unit 3 Adjustment - Depreciation		(254)	0.9701809	(246)	151	(247)
(26)	Scholz O&M		(1,475)	0.9705159	(1,432)	880	(1,438)
(27)	ECRC Expense in Depreciation	Sch. 16	(40,922)	0.9705293	(39,716)	24,396	(39,862)
(28)	ECCR Expense in Depreciation	Sch. 15	(411)	1.0000000	(411)	252	(412)
(29)	Distribution New Business Depreciation		(67)	0.9999468	(67)	41	(67)
(30)	Change in Depreciation & Dismantlement: 2013 Studies		(297)	Various	(332)	204	(333)
(31)	Perdido Unit 3 Adjustment - Property Tax		(58)	0.9701749	(56)	34	(56)
(32)	ECCR Expense in Other Taxes	Sch. 15	(691)	1.0000000	(691)	424	(693)
(33)	Franchise Fee Expense		(41,160)	1.0000000	(41,160)	25,283	(41,312)
(34)	Tallahassee Liaison Expenses - Payroll Taxes		(20)	0.9830180	(20)	12	(20)
(35)	ECRC Expense in Property Taxes	Sch. 16	(2,153)	0.9702740	(2,089)	1,283	(2,096)
(36)	Gross Receipts Tax		(33,371)	1.0000000	(33,371)	20,498	(33,493)
(37)	FPSC Assessment Fee	Sch. 18	(579)	1.0000000	(579)	356	(582)
	Subtotal		(884,955)		(827,574)	508,338	(830,611)
(38)	Tax Effect of Adjustments - Federal	Sch. 19	(27,859)	n/a	(27,580)	-	-
	- State		(4,633)	n/a	(4,586)	-	-
(39)	Tax Effect of Interest Synchronization	Sch. 20					
	- Federal		5,938	0.9841698	5,844	(5,844)	9,549
	- State		987	0.9848024	972	(972)	1,588
	Total Expense Adjustments		(910,522)		(852,924)	501,522	(819,474)

Abbreviations:

PPCC - Purchased Power Capacity Cost
ECCR - Energy Conservation Cost Recovery
ECRC - Environmental Cost Recovery Clause

Gulf Power Company
Fuel Revenues and Expenses
For the Twelve Months Ended December 31, 2014
(Thousands of Dollars)

		System Amount	Jurisdictional Amount
<u>Fuel Revenues:</u>			
Retail Fuel Clause Revenues		526,616	526,616
Territorial Wholesale Fuel Revenues		16,232	-
Non-Territorial Fuel Revenues			
Associated Companies Sales		70,254	67,956
Unit Power Sales		34,899	-
Opportunity Sales		3,122	3,031
		651,123	597,603
Total Fuel Revenues	Adj. 1	651,123	597,603
<u>Fuel Expenses:</u>			
Fuel Expense per the Income Statement	Adj. 7	613,779	565,055
Interchange Energy-Fuel Portion	Adj. 8	35,992	31,694
Purchase Power Transm Recov Through Fuel	Adj. 9	403	391
Peabody Litigation Fees	Adj. 10	100	97
		650,274	597,237
Total Fuel Expenses		650,274	597,237
Revenue Taxes @ 0.072% (All Retail)	Adj. 37	379	379
Total Fuel-Related Costs		650,653	597,616
Net Over (Under) Recovery of Fuel Expenses		470	(13)

Gulf Power Company
Purchase Power Capacity Cost (PPCC) Recovery Clause Revenues and Expenses
For the Twelve Months Ended December 31, 2014
(Thousands of Dollars)

		System Amount	Jurisdictional Amount
<u>PPCC Revenues:</u>			
Retail PPCC Revenues		60,239	60,239
Associated Companies Production Capacity Sales		2,584	2,495
Transmission Revenues Credited to Retail Customers in Capacity Clause		331	320
Total PPCC Recovery Clause Revenues	Adj. 2	63,154	63,054
<u>PPCC Recovery Clause Expenses:</u>			
PPCC Production Expense Included in O&M	Adj. 11	52,026	50,243
PPCC Transmission Expense Included in O&M	Adj. 12	13,221	12,768
Revenue Taxes @ 0.072% (All Retail)	Adj. 37	43	43
Total PPCC Recovery Clause Expenses		65,290	63,054
Net Over (Under) Recovery of PPCC Recovery Clause Expenses		(2,136)	-

Gulf Power Company
Energy Conservation Cost Recovery (ECCR) Clause Revenues and Expenses
For the Twelve Months Ended December 31, 2014
(Thousands of Dollars)

		System Amount	Jurisdictional Amount
<u>ECCR Clause Revenues</u>	Adj. 3	26,405	26,405
<u>ECCR Clause Expenses:</u>			
ECCR O&M Expense			
Customer Service & Info.		21,931	21,931
Administrative & General		1,589	1,589
Total ECCR O&M Expense	Adj. 13	23,520	23,520
ECCR Clause Depreciation Expense	Adj. 28	411	411
ECCR Clause Expenses in Other Taxes			
Property Taxes		322	322
Payroll Taxes		369	369
Total ECCR Clause Expenses in Other Taxes	Adj. 32	691	691
Revenue Taxes @ 0.072%	Adj. 37	19	19
Carrying Costs of ECCR Clause Investment		1,764	1,764
Total ECCR Clause Expenses		26,405	26,405
Net Over (Under) Recovery of ECCR Clause Expenses		-	-

Gulf Power Company
Environmental Cost Recovery Clause (ECRC) Revenues and Expenses
For the Twelve Months Ended December 31, 2014
(Thousands of Dollars)

		System Amount	Jurisdictional Amount
<u>ECRC Revenues</u>			
Retail Environmental Clause Revenues		149,312	149,312
Wholesale Environmental Clause Revenues		4,605	-
Total Environmental Clause Revenues	Adj. 4	153,917	149,312
<u>ECRC Expenses</u>			
ECRC Expense in O&M			
Production O&M		24,723	23,991
Transmission O&M		9	9
Distribution O&M		3,576	3,453
Admin. & General O&M		769	746
Total ECRC Expense in O&M	Adj. 14	29,077	28,199
Depreciation	Adj. 27	40,922	39,716
Taxes Other Than Income Taxes			
Revenue Taxes (All Retail)	Adj. 37	108	108
Property and Payroll Taxes	Adj. 35	2,153	2,089
Carrying Costs on ECRC Investment		81,606	79,195
Total ECRC Expenses		153,866	149,307
Net Over (Under) Recovery of ECRC Expenses		51	5

Gulf Power Company
Calculation of 2013 Rate Case Amortization NOI Adjustment
For the Twelve Months Ended December 31, 2014
(Thousands of Dollars)

	<u>Amount</u>
2013 Rate Case Expense Estimate	4,922
Projected Balance of Unamortized 2011 Rate Case Expenses at 12/31/2013	1,596
Total	<u>6,518</u>
Amortization Period	4 years
Annual Amortization	1,630
Amortization of 2011 Rate Case Expenses Included in 2014 O&M Budget	<u>700</u>
2014 NOI Adjustment for Rate Case Expenses	Adj. 22 <u><u>930</u></u>

Gulf Power Company
FPSC Assessment Fees
For the Twelve Months Ended December 31, 2014
(Thousands of Dollars)

		<u>Retail Revenue Amount</u>	<u>FPSC Assessment Fee at .072%</u>
Revenue Adjustments:			
Retail Fuel Clause Revenues (Sch. 13)	Adj. 1	526,616	379
PPCC Recovery Clause Revenues (Sch. 14)	Adj. 2	60,239	43
ECCR Clause Revenues (Sch. 15)	Adj. 3	26,405	19
ECRC Revenues (Sch. 16)	Adj. 4	149,312	108
Franchise Fee Revenues (Sch. 12, p. 2 of 3)	Adj. 5	42,247	30
			<hr/>
Total FPSC Assessment Fee	Adj. 37		<hr/> <hr/> 579

Gulf Power Company
Income Taxes Adjustments
For the Twelve Months Ended December 31, 2014
(Thousands of Dollars)

		<u>System Amount</u>
Adjustment Due to Revenue and Expense Adjustments		
Revenue Adjustments (Schedule 12, p.2 of 3)	Adjs. 1 - 6	(969,185)
Expense Adjustments (Schedule 12, p. 3 of 3)	Adjs. 7 - 37	<u>(884,955)</u>
Net Decrease to Taxable Income		<u>(84,230)</u>
Federal Income Tax @ 33.075%	Adj. 38	(27,859)
State Income Tax @ 5.5%	Adj. 38	<u>(4,633)</u>
Total	Adj. 38	<u>(32,492)</u>

Gulf Power Company
Interest Synchronization Adjustment
For the Twelve Months Ended December 31, 2014
(Thousands of Dollars)

Interest Synchronization

	<u>Amount</u>	<u>Cost Rate</u>	<u>Expense</u>
<u>Total Company</u>			
Long Term Debt	801,987	4.96%	39,779
Short-Term Debt	32,323	0.82%	265
Customer Deposits	22,117	2.30%	509
ITC-Debt Component	1,014	4.96%	<u>50</u>
Total Synchronized Interest			40,603
Total Company Interest Expense			<u>58,557</u>
Difference			<u>(17,954)</u>
Federal Income Tax @ 33.075%		Adj. 39	5,938
State Income Tax @ 5.5%		Adj. 39	<u>987</u>
Total			<u>6,925</u>
<u>Jurisdictional</u>			
Long Term Debt	685,025	4.96%	33,977
Short-Term Debt	27,615	0.82%	226
Customer Deposits	20,943	2.30%	482
ITC-Debt Component	839	4.96%	<u>42</u>
Total Synchronized Interest			34,727
Total Company Interest Expense		58,557	
Less: Unit Power Sales Interest		<u>5,163</u>	
		53,394	
Jurisdictional Factor		<u>0.9813165</u>	52,396
Difference			<u>(17,669)</u>
Federal Income Tax @ 33.075%		Adj. 39	5,844
State Income Tax @ 5.5%		Adj. 39	<u>972</u>
Total			<u>6,816</u>

Gulf Power Company
13-Month Average Jurisdictional Cost of Capital
For the Period Ended December 31, 2014
(Thousands of Dollars)

Item Description	(A) Jurisdictional Capital Structure (000's)	(B) Ratio %	(C) Cost Rate %	(D) Weighted Cost Rate %
Long-Term Debt	685,025	36.36	4.96	1.80
Short-Term Debt	27,615	1.47	0.82	0.01
Preference Stock	79,085	4.20	6.00	0.25
Common Equity	715,221	37.96	11.50	4.37
Customer Deposits	20,943	1.11	2.30	0.03
Deferred Taxes	379,918	20.17	0.00	0.00
FASB 109 Deferred Taxes	(25,718)	-1.37	0.00	0.00
Investment Credit - Weighted Cost	1,812	0.10	8.18	0.01
Total	1,883,901	100.00	6.47	6.47

GULF POWER COMPANY
13-Month Average Capital Structure
December 31, 2014
(Thousands of Dollars)

Description	(1) Total Company	(2) Less: Common Dividends Declared	(3) Less: Unamort. Prem., Disc., Issuance Exp. & Loss On Reacquired Debt	(4) Less: Non- Utility Adjs.	(5) Less: Unamort. Loss or Gain on Hedge	(6) Subtotal	(7) Less: Unit Power Sales Investment	(8) Subtotal	(9) Ratio	(10) Other Rate Base Adjs.	(11) Total Adjusted Capital Structure Net of UPS	(12) Juris. Factor	(13) Juris. Capital Structure
Long-Term Debt	1,312,417		29,059		1,502	1,281,856	103,347	1,178,509	0.36369671	480,295	698,214	0.98111104	685,025
Short-Term Debt	51,663					51,663	4,154	47,509	0.01466163	19,362	28,147	0.98111104	27,615
Preference Stock	147,998					147,998	11,941	136,057	0.04198821	55,449	80,608	0.98111104	79,085
Common Equity	1,331,975	(18,548)		13,029	(923)	1,338,417	107,959	1,230,458	0.37972856	501,467	728,991	0.98111104	715,221
Customer Deposits	35,350					35,350		35,350	0.01090927	14,407	20,943	1.00000000	20,943
Deferred Taxes	706,974				(579)	707,553	53,944	653,609	0.20170864	266,376	387,233	0.98111104	379,918
FASB 109 Deferred Taxes	(47,899)					(47,899)	(3,652)	(44,247)	(0.01365496)	(18,033)	(26,214)	0.98111104	(25,718)
Investment Credit - Weighted Costs	3,492					3,492	375	3,117	0.00096193	1,270	1,847	0.98111104	1,812
Total	3,541,970	(18,548)	29,059	13,029	-	3,518,430	278,068	3,240,362	1.00000000	1,320,593	1,919,769		1,883,901

GULF POWER COMPANY
13-Month Average Cost of Long-Term Debt
at December 31, 2014

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Issue	Issue Date	Maturity Date	Principal	Unamortized Prem., Disc., Issuing Exp. & Loss on Reacquired Debt	Unamortized Loss/(Gain) on Hedge	Net (4) - (5) - (6)	Amortization Prem., Disc., Issuing Exp. & Loss on Reacquired Debt	Amort Loss/(Gain) on Hedge	Interest (1) x (4)	Annual Total Cost (8) + (9) + (10)
Senior Notes and Other Long-Term Debt										
5.75% Senior Note	5/18/2011	6/1/2051	125,000	3,812	0	121,188	101	0	7,188	7,289
3.10% Senior Note	5/18/2012	5/15/2022	100,000	730	0	99,270	92	0	3,100	3,192
4.75% Senior Note	6/1/2013	5/1/2043	55,000	0	0	55,000	0	0	2,613	2,613
4.90% Senior Note	9/22/2004	10/1/2014	57,692	20	0	57,672	71	0	2,827	2,898
5.10% Senior Note	9/17/2010	10/1/2040	125,000	1,116	0	123,884	43	0	6,375	6,418
5.25% Senior Note	7/22/2003	7/15/2033	30,000	992	0	29,008	52	0	1,575	1,627
5.65% Senior Note	8/30/2005	9/1/2035	60,000	692	0	59,308	33	0	3,390	3,423
5.85% Senior Note	4/1/2014	3/1/2044	48,462	0	0	48,462	0	0	2,835	2,835
6.25% Senior Note	10/1/2014	9/1/2044	32,308	0	0	32,308	0	0	2,019	2,019
4.75% Senior Note	4/13/2010	4/15/2020	175,000	772	(883)	175,111	134	(153)	8,313	8,294
5.30% Senior Note	12/6/2006	12/1/2016	110,000	239	1,312	108,449	99	540	5,830	6,469
5.90% Senior Note	6/12/2007	6/15/2017	85,000	237	(890)	85,653	80	(303)	5,015	4,792
Pollution Control Bonds										
4.725% PCB	11/20/2012	11/1/2042	13,000	676	0	12,324	7	0	614	621
5.25% PCB	9/26/2002	9/1/2037	42,000	1,355	0	40,645	58	0	2,205	2,263
5.625% PCB	10/9/2002	7/1/2022	37,000	514	0	36,486	64	0	2,081	2,145
6.0% PCB	4/15/2003	2/1/2026	29,075	863	0	28,212	74	0	1,745	1,819
VAR% PCB	7/1/1997	7/1/2022	3,930	17	0	3,913	2	0	34	36
VAR% PCB	3/31/2009	4/1/2039	65,400	1,091	0	64,309	44	0	573	617
1.55% PCB	4/15/2003	6/1/2023	32,550	671	0	31,879	75	0	505	580
1.35% PCB	3/31/2009	4/1/2039	65,000	519	0	64,481	21	0	878	899
4.275% PCB	6/3/2010	6/1/2049	21,000	356	0	20,644	14	0	898	912

GULF POWER COMPANY
13-Month Average Cost of Long-Term Debt
at December 31, 2014

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Issue	Issue Date	Maturity Date	Principal	Unamortized Prem., Disc., Issuing Exp. & Loss on Reacquired Debt	Unamortized Loss/(Gain) on Hedge	Net (4) - (5) - (6)	Amortization Prem., Disc., Issuing Exp. & Loss on Reacquired Debt	Amort Loss/(Gain) on Hedge	Interest (1) x (4)	Annual Total Cost (8) + (9) + (10)
Reacquired Debt										
GULF - FMB, 10 1/8% SERIES DUE 2016	2/19/1986	2/1/2016	0	268	0	(268)	169	0	0	169
GULF - FMB, 6 7/8% SERIES DUE 2026	1/1/1996	1/1/2026	0	1133	0	(1,133)	98	0	0	98
GULF - FMB, 8 3/4% SERIES DUE 2021	12/4/1991	12/1/2021	0	1124	0	(1,124)	152	0	0	152
GULF - PCB, \$39M Var Rate PCB Esc Crty	7/1/1997	7/1/2022	0	348	0	(348)	43	0	0	43
GULF - PCB, 10 1/2% SERIES DUE 2014	12/1/1984	12/1/2014	0	31	0	(31)	67	0	0	67
GULF - PCB, 10% SERIES DUE 2013	8/1/1983	8/1/2013	0	0	0	0	0	0	0	0
GULF - PCB, 12 3/5% SERIES DUE 2012	8/1/1982	8/1/2012	0	0	0	0	0	0	0	0
GULF - PCB, 5 1/2% SERIES DUE 2026	2/1/1996	2/1/2026	0	214	0	(214)	0	0	0	0
GULF - PCB, 5.7% SERIES DUE 2023	11/1/1993	11/1/2023	0	100	0	(100)	18	0	0	18
GULF - PCB, 5.8% SERIES DUE 2023	6/1/1993	6/1/2023	0	226	0	(226)	11	0	0	11
GULF - PCB, 6 3/4% SERIES DUE 2022	3/1/1992	3/1/2022	0	154	0	(154)	25	0	0	25
GULF - PCB, 6.2% SERIES DUE 2023	4/1/1993	4/1/2023	0	131	0	(131)	20	0	0	20
GULF - PCB, 6.3% SERIES DUE 2024	8/15/1994	9/1/2024	0	199	0	(199)	15	0	0	15
GULF - PCB, 6.7% SR INSUR QRTLY DUE 2038	7/1/2008	7/1/2038	0	977	0	(977)	20	0	0	20
GULF - PCB, 7.125% SERIES DUE 2021	4/1/1991	4/1/2021	0	251	0	(251)	41	0	0	41
GULF - PCB, 8 1/4% SERIES DUE 2017	6/1/1987	6/1/2017	0	191	0	(191)	37	0	0	37
GULF - PCB, VAR RATE SERIES DUE 2024	9/1/1994	9/1/2024	0	89	0	(89)	65	0	0	65
GULF - SNR - 5.25%, 60M, 2033	7/22/2003	7/15/2033	0	994	0	(994)	9	0	0	9
GULF - SNR - 5.60%, 65M, 2033	3/26/2003	4/1/2033	0	1999	0	(1,999)	52	0	0	52
GULF - SNR - 5.875%, 35M, 2044	4/13/2004	4/1/2044	0	926	0	(926)	107	0	0	107
GULF - SNR, 5.75%, 40M, 2033	6/16/2003	9/15/2033	0	1380	0	(1,380)	31	0	0	31
GULF - SNR, 6.0% SR NOTE SERIES E DUE 2012	1/30/2002	1/30/2012	0	0	0	0	72	0	0	72
GULF - SNR, 6.10% SR INS SERIES DUE 2016	10/18/2001	9/30/2016	0	282	0	(282)	0	0	0	0
GULF - SNR, 7.50% SERIES DUE 2037	8/1/1997	6/30/2037	0	426	0	(426)	125	0	0	125
GULF - Trust, AMORT LOSS 7% CAPITAL TRUST II	1/20/1998	12/31/2037	0	926	0	(926)	19	0	0	19
GULF - Trust, Cap Trust 1 Due 2037 7.625	1/31/1997	12/31/2036	0	830	0	(830)	40	0	0	40
GULF - Trust, Capital Trust IV Due 11/30/2042	12/13/2002	11/30/2042	0	414	0	(414)	35	0	0	35
GULF - Trust, Capital Trust III	11/16/2001	9/30/2041	0	774	0	(774)	29	0	0	29
GULF - VAR % Bank Note	6/9/2008	7/1/2011	0	0	1,963	(1,963)	15	522	0	537
Total Long-Term Debt			1,312,417	29,059	1,502	1,281,856	2,379	606	60,613	63,598
Embedded Cost of Long-Term Debt										<u>4.96%</u>
Less: Adjustment for Unit Power Sales			103,347	0	0	103,347	0	0	5,127	5,127
Long-Term Debt net of UPS			<u>1,209,070</u>	<u>29,059</u>	<u>1,502</u>	<u>1,178,509</u>	<u>2,379</u>	<u>606</u>	<u>55,486</u>	<u>58,471</u>
Embedded Cost of Long-Term Debt net of UPS										<u>4.96%</u>

GULF POWER COMPANY
13-Month Average Cost of Preference Stock
at December 31, 2014

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Call	Principal	Issue	Net	Dividends	
	After-Tax	Issue	Provisions	Amount	Expense	Proceeds	Declared	Cost of
Issue	Cost Rates	Date	or Special	Sold		(4)-(5)	and Paid	Money
			Restrictions				(1)x(4)	(7) / (6)
Preference Stock								
6.00%	6.00%	11-15-05	Note 1	55,000	1,114	53,886	3,300	6.12%
6.45%	6.45%	10-19-07	Note 2	45,000	888	44,112	2,903	6.58%
5.36%	5.36%	4-01-13		50,000	-	50,000	2,680	5.36%
Total Preference Stock				150,000	2,002	147,998	8,883	6.00%
Less: Adjustment for Unit Power Sales				11,941		11,941	716	
Preference Stock net of UPS				138,059		136,057	8,167	6.00%

Note 1: The Company shall have the right to redeem Preference Stock, without premium, from time to time, on or after November 15, 2010, upon notice, at a redemption price equal to \$100.00 per share plus accrued and unpaid dividends.

Note 2: The Company shall have the right to redeem the Preference Stock, from time to time, per the calculation outlined in the prospectus dated November 20, 2006.

Gulf Power Company
FPSC Adjusted Achieved Rate of Return
and Return on Common Equity
For the Test Year Ended 12/31/2014
(Thousands of Dollars)

	<u>Schedule Reference</u>	<u>Amount</u>
Jurisdictional Adjusted NOI Achieved	12	76,359
Divide by Jurisdictional Adjusted Rate Base	10	<u>1,883,901</u>
Achieved Rate of Return		4.05
Less: Retail Weighted Cost Rates (6.47% - 4.37%)	21	<u>2.10</u>
Return Available for Common Equity		1.95
Divide by Jurisdictional Adjusted Common Equity Ratio	21	<u>37.96</u>
Achieved Jurisdictional Return on Common Equity		<u><u>5.14%</u></u>

Gulf Power Company
Calculation of Revenue Deficiency
For the Test Year Ended 12/31/2014
(Thousands of Dollars)

	<u>Schedule Reference</u>	<u>Amount</u>
Jurisdictional Adjusted Rate Base	10	1,883,901
Requested Jurisdictional Rate of Return	21	<u>6.47%</u>
Jurisdictional NOI Required		121,888
Less: Achieved Jurisdictional Adjusted NOI	12	<u>76,359</u>
Return Requirement (After Taxes)		45,529
Net Operating Income Multiplier	24	<u>1.633971</u>
Revenue Deficiency		<u><u>74,393</u></u>

Gulf Power Company
Revenue Expansion Factor & NOI Multiplier
For the Test Year Ended
12/31/2014

Line No.	Description	Percent	Percent
1	Revenue Requirement		100.0000
2	Regulatory Assessment Rate		0.0720
3	Bad Debt Rate		<u>0.2934</u>
4	Net Before Income Taxes (1) - (2) - (3)		99.6346
5	State Income Tax Rate	5.5	5.5000
6	State Income Tax (4) x (5)		<u>5.4799</u>
7	Net Before Federal Income Tax (4) - (6)		94.1547
8	Federal Income Tax Rate	35.0	35.0000
9	Federal Income Tax (7) x (8)		<u>32.9541</u>
10	Revenue Expansion Factor (7) - (9)		61.2006
11	Net Operating Income Multiplier (100% / Line 10)		1.633971

Gulf Power Company
General Plant Capital Additions
For the Prior Year Ended 12/31/2013 and Test Year Ended 12/31/2014
(Thousands of Dollars)

	<u>2013</u>	<u>2014</u>
Office Furniture & Mechanical Equipment	140	233
Misc. Buildings, Land and Equipment	356	1,027
Security	133	180
Automobiles, Trucks and Equipment	3,002	3,340
Audio/Video Equipment/Print Services	36	65
Communications/Print Shop	36	65
Crestview Line Service Additions/Renovations	526	0
General Warehouse Shed Roof	257	0
Panama City Line Service Air Handler Unit 3-5	250	0
Pine Forest Parking Lot Resurface	361	0
Telecommunications Wireless & Scada	25	200
Power Delivery Technology Improvements	924	765
Voice & Data Converged Network	980	600
Telecommunications Transport & Facilities	670	800
Field Computing	75	151
T&D Warehouse Equipment Replacement	150	150
Pine Forest Building/New Office Space	8,062	0
Accounting, Supply Chain, & Work Order Management Systems	416	219
Tools And Test Equipment - Distribution	513	394
Tools And Test Equipment - Transmission	200	100
General Plant Capital Additions Total	<u>17,112</u>	<u>8,289</u>

Gulf Power Company
Compliance-Related Transmission (CRT) Investment and Expenses
Included in the Test Year Ended 12/31/2014
(Thousands of Dollars)

	(1) <u>Total System</u>	(2) <u>Jurisdictional</u>
<u>Rate Base (13-Month Average for the Period Ended 12/31/14)</u>		
Plant-in-Service	2,378	2,318
Accumulated Depreciation	(11)	(10)
Net Plant-in-Service	<u>2,367</u>	<u>2,308</u>
CWIP - Non Interest Bearing	<u>4,225</u>	<u>4,110</u>
Net Utility Plant	<u><u>6,592</u></u>	<u><u>6,418</u></u>
<u>Net Operating Income (12 Months Ended 12/31/14)</u>		
Depreciation Expense	35	34
Property Tax Expense	-	-
Income Tax Impact of Depreciation & Property Tax	(14)	(13)
Income Tax Impact of Interest Synchronization (p. 2)	(47)	(46)
Operating Expenses	<u>(26)</u>	<u>(25)</u>
Net Operating Income	<u><u>26</u></u>	<u><u>25</u></u>
<u>Jurisdictional Revenue Requirement</u>		
Rate Base		6,418
Jurisdictional Rate of Return		<u>6.47%</u>
Jurisdictional Return on Rate Base Included in 2014 Test Year		415
Less: Net Operating Income Included in 2014 Test Year		<u>(25)</u>
Subtotal		390
Times: NOI Multiplier		<u>1.633971</u>
Revenue Requirement Impact Included in 2014 Test Year		<u><u>637</u></u>

Gulf Power Company
Interest Synchronization Adjustment
Compliance-Related Transmission Investment and Expenses
Included in the Test Year Ended 12/31/2014
(Thousands of Dollars)

Total Company

<u>Financing Source</u>	<u>Rate Base</u>	<u>Ratio (%)</u>	<u>Cost Rate (%)</u>	<u>Expense</u>
Long-Term Debt	6,592	36.36	4.96	119
Short-Term Debt	6,592	1.47	0.82	1
Customer Deposits	6,592	1.11	2.30	2
ITC-Debt Component	6,592	0.05	4.96	-
Total Company Synchronized Interest				122
Federal Income Tax at 33.075%				40
State Income Tax at 5.5%				7
Total Company Income Tax				47

Jurisdictional

<u>Financing Source</u>	<u>Rate Base</u>	<u>Ratio (%)</u>	<u>Cost Rate (%)</u>	<u>Expense</u>
Long-Term Debt	6,418	36.36	4.96	116
Short-Term Debt	6,418	1.47	0.82	1
Customer Deposits	6,418	1.11	2.30	2
ITC-Debt Component	6,418	0.05	4.96	-
Total Jurisdictional Synchronized Interest				119
Federal Income Tax at 33.075%				39
State Income Tax at 5.5%				7
Total Jurisdictional Income Tax				46

Gulf Power Company
Calculation of Step Increase Effective July 1, 2015
For Compliance-Related Transmission (CRT) Costs
For the Period Ended June 30, 2016
(Thousands of Dollars)

	(1)	(2)
	<u>Total System</u>	<u>Jurisdictional</u>
<u>Rate Base (13-Month Average for the Period Ended 6/30/16)</u>		
Plant-in-Service	128,945	125,489
Accumulated Depreciation	<u>(2,540)</u>	<u>(2,472)</u>
Net Plant-in-Service	126,405	123,017
CWIP - Non Interest Bearing	-	-
Working Capital - Regulatory Asset (Schedule 3)	<u>1,713</u>	<u>1,713</u>
Net Utility Plant	<u>128,118</u>	<u>124,730</u>
<u>Net Operating Income (12 Months Ended 6/30/16)</u>		
Depreciation Expense	4,003	3,893
Amortization of Regulatory Asset	490	490
Property Tax Expense	914	889
Income Tax Impact of Depr., Amort. & Property Tax	(2,086)	(2,034)
Income Tax Impact of Interest Synchronization (p. 2)	<u>(911)</u>	<u>(886)</u>
Operating Expenses	<u>2,410</u>	<u>2,352</u>
Net Operating Income	<u>(2,410)</u>	<u>(2,352)</u>
<u>Jurisdictional Revenue Requirement</u>		
Rate Base		124,730
Jurisdictional Rate of Return		<u>6.47%</u>
Jurisdictional Return on Rate Base		8,070
Net Operating Income Required		<u>2,352</u>
Subtotal		10,422
Times: NOI Multiplier		<u>1.633971</u>
Total Revenue Required Associated With CRT Costs		17,029
Less: Revenue Requirement Included in 2014 Test Year (Schedule 1)		<u>(637)</u>
Revenue Requirement Required - 7/1/15 Step Increase		<u>16,392</u>

Gulf Power Company
Interest Synchronization Adjustment
Compliance-Related Transmission Investment and Expenses
For the Twelve Months Ended June 30, 2016
(Thousands of Dollars)

Total Company

<u>Financing Source</u>	<u>Rate Base</u>	<u>Ratio (%)</u>	<u>Cost Rate (%)</u>	<u>Expense</u>
Long-Term Debt	128,118	36.36	4.96	2,311
Short-Term Debt	128,118	1.47	0.82	15
Customer Deposits	128,118	1.11	2.30	33
ITC-Debt Component	128,118	0.05	4.96	3
Total Company Synchronized Interest				<u>2,362</u>
Federal Income Tax at 33.075%				781
State Income Tax at 5.5%				130
Total Company Income Tax				<u>911</u>

Jurisdictional

<u>Financing Source</u>	<u>Rate Base</u>	<u>Ratio (%)</u>	<u>Cost Rate (%)</u>	<u>Expense</u>
Long-Term Debt	124,730	36.36	4.96	2,249
Short-Term Debt	124,730	1.47	0.82	15
Customer Deposits	124,730	1.11	2.30	32
ITC-Debt Component	124,730	0.05	4.96	3
Total Jurisdictional Synchronized Interest				<u>2,299</u>
Federal Income Tax at 33.075%				760
State Income Tax at 5.5%				126
Total Jurisdictional Income Tax				<u>886</u>

Gulf Power Company
Compliance-Related Transmission (CRT) - Deferred Return / Regulatory Asset
(Thousands of Dollars)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Beginning Bal	Bearing Ending Bal	Average Bal	Expense on CRT Plant-in-	CRT Investment	Carrying Costs/ (A) (B)	Asset Balance (C)
Dec 2014							-
Jan 2015	30,538	32,685	31,612	41	172	53	160
Feb 2015	32,685	34,102	33,394	41	183	53	331
Mar 2015	34,102	35,520	34,811	41	191	53	510
Apr 2015	35,520	53,150	44,335	41	244	53	742
May 2015	53,150	91,891	72,521	105	399	53	1,193
June 2015	91,891	124,963	108,427	221	597	53	1,958

Notes:

(A) The deferred return is calculated using Gulf's last approved AFUDC rate with an ROE of 11.5% as requested in this rate case. The calculation of the return is as follows:

	Average Balance of CRT Net Plant and CWIP
plus	Average of: [Beginning Balance of Regulatory Asset] and [Ending Balance of Regulatory Asset prior to inclusion of the current month Return***]
equals	Total
times	Monthly AFUDC rate
equals	Monthly Return on Net CRT Investment and Regulatory Asset (Column 5)

*** Ending Balance of Regulatory Asset prior to inclusion of the current month Return = Beginning Balance + current month Depreciation Expense (Col 4) - current month Carrying

(B) Exhibit SDR-2, Schedule 1: Revenue Requirement Impact/12

(C) Column 7 for the prior month + Columns 4 through 6

Gulf Power Company
Compliance-Related Transmission (CRT) - Regulatory Asset / Annual Amortization
(Thousands of Dollars)

Calculation of Amortization of Regulatory Asset:

Projected June 30, 2015 Regulatory Asset (p. 1)	1,958
Divided by: 4 years	<u>4</u>
Annual Amortization	<u><u>490</u></u>
13 Month Average Regulatory Asset - Period Ending 6/30/16	<u><u>1,713</u></u>