

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** August 15, 2013

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Accounting and Finance (Slemkewicz) JS CRW  
Office of the General Counsel (Brownless) ALM

**RE:** Docket No. 130140-EI – Petition for rate increase by Gulf Power Company.

**AGENDA:** 08/27/13 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Edgar

**CRITICAL DATES:** 09/10/13 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\AFD\WP\130140.RCM.DOC

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COMMISSION  
CLERK

### Case Background

This proceeding commenced on July 12, 2013, with the filing of a petition for a permanent rate increase by Gulf Power Company (Gulf). Gulf requested an increase in its retail rates and charges to generate \$74,393,000 in additional gross annual revenues, effective April 10, 2014. Gulf also requested a step increase of \$16,392,000, effective July 1, 2015, if certain transmission upgrade projects are not approved for recovery through the Environmental Cost Recovery Clause. Gulf requested approval of an authorized return on equity (ROE) of 11.50 percent, with a range of plus or minus 100 basis points. Gulf based its request on a projected test year ending December 31, 2014. The hearing is scheduled for December 9-13, 2013. Gulf did not request any interim rate relief.

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The Commission last granted Gulf a \$64.1 million base rate increase by Order No. PSC-12-0179-FOF-EI.<sup>1</sup> In that order the Commission found Gulf's jurisdictional rate base to be \$1.673 billion for the 2012 projected test year and approved an ROE midpoint of 10.25 percent. The Commission also approved an additional increase in base rates of \$4.022 million, effective January 1, 2013, to recover the cost of 2 turbine upgrade projects.

This recommendation addresses the suspension of the requested permanent rate increase. The Commission has jurisdiction pursuant to Section 366.06, Florida Statutes.

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<sup>1</sup> Order No. PSC-12-0179-FOF-EI, issued April 3, 2012, in Docket No. 110138-EI, In re: Petition for increase in rates by Gulf Power Company.

**Discussion of Issues**

**Issue 1:** Should Gulf's request for a \$74,393,000 permanent base rate increase and the associated tariff revisions be suspended pending a final decision in this docket?

**Recommendation:** Yes. The \$74,393,000 permanent base rate increase and its associated tariff revisions requested by Gulf should be suspended pending a final decision in this docket. (Slemkewicz)

**Staff Analysis:** Gulf filed its petition, testimony, and minimum filing requirements on July 12, 2013. Gulf has requested a total permanent base rate increase of \$74,393,000 based on a projected test year ending December 31, 2014.

The suspension of the rate increase is authorized by Section 366.06(3), Florida Statutes, which provides:

Pending a final order by the commission in any rate proceeding under this section, the commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the utility requesting such increase, within 60 days, a reason or written statement of good cause for withholding its consent.

Staff recommends that the Commission suspend Gulf's request for a \$74,393,000 permanent base rate increase and the associated tariff revisions in order to allow staff and any intervenors sufficient time to adequately and thoroughly examine whether the request for permanent rate relief is appropriate.

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**Issue 2:** Should this docket be closed?

**Recommendation:** No, this docket should remain open to process Gulf's revenue increase request. (Brownless)

**Staff Analysis:** This docket should remain open to process Gulf's revenue increase request.