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WILL WEATHERFORD
*Speaker of the House of
Representatives*

November 6, 2013

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

Re: Docket No. 130140-EI; Errata for the prefiled direct testimony and Exhibit MEG-3 of OPC witness Mark Garrett

Dear Ms. Cole:

Enclosed for filing are errata for the prefiled direct testimony and Exhibit MEG-3 of OPC witness Mark Garrett. The errata are required as a result of the discovery of the need to make two corrections to the testimony. These adjustments in the testimony are:

- (1) In the original testimony, \$637,000 was presented as an adjustment to operating expense as discussed on pages 63-64 of Mr. Garrett's testimony. The adjustment should have been presented as a revenue requirement adjustment in that amount, occasioned by a reduction in capital and expense as reflected on the redlined, corrected testimony pages 63-64; and
- (2) In the originally filed testimony the storm damage reserve balance of \$35,372,000 was included as an offset to ratebase as shown on originally filed pages 65 and 66. We now have confirmed that Gulf has appropriately accounted for the balance as a reduction to rate base and thus our proposed adjustment would be duplicative. This resulting correction is reflected on the redlined, corrected testimony pages 65-66.

Pages 5-6 of Mr. Garrett's prefiled Direct Testimony are also revised in redlined format to reflect impact of the corrections discussed above.

November 6, 2013

Page 2

Also enclosed for filing is a revised revenue requirement Exhibit MEG-3, which reflects only the changes that are required as a result of the two corrections discussed herein. Revised Exhibit MEG-3 is not provided in a redlined version. Rather, it has been revised (as indicated in the upper right of the affected pages) to show the effects of the corrections, resulting in a bottom line revenue requirement, considering the adjustments of all OPC witnesses, of \$814,000.

As appropriate, these corrected pages and exhibits should be substituted for the originally filed pages. Together with the unaffected pages originally filed, they are the Testimony and Exhibit pages of Mr. Garrett's prefiled Direct Testimony that the OPC intends to offer into evidence at the hearing.

Copies of these corrected documents have been served on the parties and Staff as indicated in the attached certificate of service.

If you have any questions, please do not hesitate to call. We apologize for any inconvenience that may have occurred.

Sincerely,



Charles J. Rehwinkel
Deputy Public Counsel

Enclosure: Revised pages and exhibit

cc: parties of record per certificate of service.

1 A. As shown on Schedule A, OPC's recommended adjustments in this case result in a
2 revenue ~~decrease~~increase for Gulf Power Company of ~~\$2.005 million~~ \$814,000. This
3 is ~~\$76.398~~ \$73.579 million less than the \$74.393 million increase in base rates
4 requested by Gulf in its filing.

5

6 **Q. WHAT IS THE OPC'S RECOMMENDATION IN REGARDS TO THE**
7 **REQUESTED \$16.392 MILLION STEP INCREASE TO BECOME EFFECTIVE**
8 **JULY 1, 2015?**

9 A. OPC witness Norwood testifies to this issue and recommends that the Commission deny
10 Gulf's request for a step increase.

1 **Q. PLEASE PROVIDE A SUMMARY OF OPC'S ADJUSTMENTS.**

2 A. The table below reflects the revenue requirement impacts of the OPC adjustments.

Table 1: Summary of OPC's Adjustments				
Ln	Adjustment Description	OPC Witness	Total Co. Adjustment (\$000)	Florida Retail Rate Impact (\$000)
1	Short-Term Incentive – Financial-Based	Garrett	\$7,536	\$7,390
2	Short-Term Incentive – Customer Service	Garrett	\$1,043	\$1,023
3	Short-Term Incentive – Payroll Tax	Garrett	\$656	\$643
4	Long-Term Incentive – Financial-Based	Garrett	\$3,160	\$3,095
5	Supplemental Executive Retirement Pay	Garrett	\$2,220	\$2,174
6	Payroll Expense Adjustment	Garrett	\$2,248	\$2,205
7	Payroll Tax Expense Adjustment	Garrett	\$172	\$169
8	Employee Medical Expense Adjustment	Garrett	\$387	\$380
9	Directors and Officers Liability Insurance	Garrett	\$48	\$47
10	Storm Damage Accrual Adjustment	Garrett	\$9,000	\$8,861
11	Corporate Aircraft Cost Allocation	Garrett	\$2,244	\$2,198
12	Uncollectible Accounts Adjustment	Garrett	\$146	\$144
13	Annualized Revenue Adjustment	Garrett	\$1,244	\$1,244
14	Transmission Expense Adjustment	Norwood	\$637 <u>\$6,627</u>	\$618 <u>\$539</u>
15	Depreciation Expense Adjustment	Pous	\$14,133	\$13,878
16	Rate Base – Capitalized Incentives	Garrett	\$2,420	\$223
17	Rate Base – Storm Damage Reserve	Garrett	\$35,372 <u>\$0</u>	\$3,273 <u>\$0</u>
18	Cost of Capital (9.0% ROE)	Woolridge		\$28,615 <u>\$29,102</u>
19	Revenue Taxes, Assessment and Rounding	Garrett		\$218 <u>\$264</u>
20	Total Florida Rate Impact			\$76,398 <u>\$73,579</u>

3 **Q. DOES YOUR TESTIMONY PROVIDE A COMPREHENSIVE ANALYSIS OF**
4 **THE COMPANY'S PRO FORMA REVENUE REQUIREMENT?**

5 A. No. My testimony addresses only a limited number of material issues in this case. My
6 recommendations should be read in conjunction with the revenue requirement
7 recommendations of the other parties. This testimony should not be misconstrued to
8 mean that OPC supports a decrease in Gulf's jurisdictional pro forma rates of only
9 ~~\$76,398~~ \$73,579 million. This testimony instead stands for the proposition that OPC
10 supports a decrease of ~~\$76,398~~ \$73,579 million as to the issues identified.

1 Gulf's alternative request is to recover \$637,000 in base rates now for projected
2 transmission upgrade costs for the 2014 test year and then to receive a step increase in
3 base rates of \$16.392 million, effective on July 1, 2015, to recover the projected costs of
4 transmission upgrades for Plant Crist and Plant Smith for the 12-month period ending
5 June 30, 2016. In his testimony, Mr. Norwood concludes that Gulf's alternative
6 recovery proposal is not reasonable. He explains that Gulf has not demonstrated that its
7 proposed transmission upgrades are prudent, due to the Company's failure to provide
8 support for its Must-Run operating assumptions and its failure to consider Plant Smith
9 retirement alternatives. Moreover, he explains that there is significant uncertainty
10 regarding the forecasted step increase for these upgrades due to the fact that the
11 forecasts extend approximately 18 months beyond the end of the 2014 test year. For
12 these reasons, Mr. Norwood recommends that Gulf's alternative request to recover
13 proposed transmission upgrade costs associated with its proposed environmental
14 "compliance" plan for Plant Crist and Plant Smith also be denied.

15
16 **Q. WHAT HAVE YOU INCLUDED IN YOUR REVENUE REQUIREMENT
17 CALCULATIONS FOR TRANSMISSION EXPENSECOSTS?**

18 A. I have included an adjustment ~~of \$637,000 to operating expense~~ to reflect the
19 transmission expensecost recommendations addressed in the direct testimony of OPC
20 witness Norwood. This adjustment is set forth below and in Exhibit MEG-3, Schedule
21 C-12.

Description of OPC's Adjustment	Exhibit MEG-3 Ref.	Total Company (\$000)	Florida Jurisdictional (\$000)
Annualized Revenue Adjustment	C-12	\$637 \$6,627	\$618 \$539

1 **SECTION IX. DEPRECIATION EXPENSE ADJUSTMENT**

2 **Q. WHAT HAVE YOU INCLUDED IN YOUR REVENUE REQUIREMENT**
3 **CALCULATIONS FOR DEPRECIATION EXPENSE?**

4 **A.** I have included a depreciation expense adjustment of \$14,133,000 to reflect the
5 depreciation expense recommendations addressed in the direct testimony of OPC
6 witness Mr. Jacob Pous. His total depreciation expense adjustment of \$19,986,000
7 includes an adjustment of \$14,133,000 to base rates, and an adjustment of \$5,853,000 to
8 the environmental cost recovery clause. This adjustment is set forth below and in
9 **Exhibit MEG-3**, Schedule C-13.

Description of OPC's Adjustment	Exhibit MEG-3 Ref.	Total Company (\$000)	Florida Jurisdictional (\$000)
Depreciation Expense Adjustment	C-13	\$14,133	\$13,878

10 The amount of this adjustment, however, is subject to possible revision based on Mr.
11 Pous' review of the results of pending discovery requests. If Mr. Pous makes any
12 additional modification to his recommendations based on his review of these pending
13 responses, I will make a corresponding modification to OPC's Revenue Requirement
14 Exhibit.

1 **SECTION X. RATE BASE ADJUSTMENTS**

2 **A. Rate Base Adjustment For Short-Term Incentives**

3 **Q. PLEASE DESCRIBE YOUR RATE BASE ADJUSTMENTS FOR**
4 **DISALLOWED SHORT-TERM INCENTIVE COSTS.**

5 A. With respect to short-term incentive costs, I recommended that short-term incentive
6 costs directly related to financial performance be disallowed. I also recommended that
7 50% of the short-term plan related to customer satisfaction be disallowed. To the extent
8 that these amounts are excluded from operating expense, a corresponding adjustment
9 should be made to remove the associated portions of these incentive plans included in
10 rate base. The corresponding adjustment needed to remove the associated capitalized
11 costs from rate base would be \$2,420,000 for both adjustments; \$2,126,000 for the
12 amount removed for financial-based incentives and \$294,000 for the amount removed
13 for customer satisfaction. These adjustments are shown below and can be seen at
14 **Exhibit MEG-3**, Schedule B-3.

Description of OPC's Adjustment	Exhibit MEG-3 Ref.	Total Company (\$000)	Florida Jurisdictional (\$000)
Rate Base Adjustment for Short-Term Incentives	B-3	\$2,420	\$2,375

15 **B. Rate Base ~~Adjustment Treatment~~ For Storm Damage Reserve**

16 **Q. PLEASE DESCRIBE YOUR RATE BASE ADJUSTMENT FOR STORM**
17 **DAMAGE RESERVE COSTS.**

18 A. In Section IV of my testimony, I recommended that the Company discontinue the
19 accruing of interest on the storm reserve balance and instead include the balance as an
20 offset to rate base. This is the treatment ordered by the Commission for Progress

1 Energy Florida (now Duke Energy). In Order No. PSC-10-0131-FOF-EI, at pages 68-
 2 71, the Commission not only ordered the Company to discontinue the storm reserve
 3 accrual, but it also directed the Company to discontinue accruing interest on the reserve
 4 balance and include the balance as a reduction to rate base. I believe that this is the
 5 appropriate treatment for ratemaking purposes. Currently, the reserve balance accrues
 6 interest of less than 1%. As a reduction to rate base, the reserve balance would earn a
 7 return of more than 8%. This is the real value of capital to the Company and, thus, it is
 8 the value that ratepayers should receive for their capital.

9 At the end of 2013, the reserve balance is projected to be \$35,372,000,
 10 according to Gulf's Response to Citizens' Interrogatory No. 162. Currently, the
 11 Company reflected the storm reserve balance as a reduction to rate base and this is the
 12 correct treatment in my opinion. This is the amount that should be included as a
 13 reduction to rate base, and is set forth below and in Exhibit MEG-3, Schedule B-4.

Description of OPC's Adjustment	Exhibit MEG-3 Ref.	Total Company (\$000)	Florida Jurisdictional (\$000)
Rate Base Adjustment for Storm Damage Reserve	B-4	\$35,372	\$34,824

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 A. Yes. It does.

Before the
Florida Public Service Commission
Docket Number: 130140-EI

GULF POWER COMPANY

REVENUE REQUIREMENT EXHIBIT OF CITIZENS OF THE STATE OF FLORIDA

DOCKET NO. 130140-EI

~~October 16, 2013~~
Revised November 6, 2013

Gulf Power Company
Index to Revenue Requirement Exhibits
Projected Test Year Ended December 31, 2014

- A - Jurisdictional Revenue Requirement
- A - 1 - Net Operating Income Multiplier
- B - 1 - OPC Adjusted Rate Base
- B - 2 - OPC Rate Base Adjustments
- B - 3 - Rate Base Adjustment for Short Term Incentives
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- C - 4 - Supplemental Executive Retirement Plan Adjustment
- C - 5 - Payroll Expense and Payroll Tax Adjustments
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- C - 7 - Directors and Officers' Liability Insurance Expense Adjustment
- C - 8 - Storm Damage Accrual Adjustment
- C - 9 - Corporate Aircraft Cost Allocation Adjustment
- C - 10 - Uncollectible Accounts Expense Adjustment
- C - 11 - Revenue Annualization Adjustment
- C - 12 - Transmission Expense Adjustment
- C - 13 - Depreciation Expense Adjustment
- C - 14 - Current Income Tax Expense Adjustment
- C - 15 - Interest Synchronization Adjustment
- D - 1 - Capital Structure

Gulf Power Company
Jurisdictional Revenue Requirement
Projected Test Year Ended December 31, 2014
(\$000)

(1) Line No.	(2) Description	(3) Company's Jurisdictional Proposed Rate Increase	(4) OPC Jurisdictional Adjustments	(5) Ref.	(6) OPC Jurisdictional Proposed Rate Increase
1	Jurisdictional Adjusted Rate Base	\$ 1,883,901	\$ (8,793)	B-1	\$ 1,875,108
2	Required Rate of Return	<u>6.4700%</u>	<u>-0.9500%</u>	D-1	<u>5.520%</u>
3	Jurisdictional Income Requirement (Line 1 x Line 2)	\$ 121,888	\$ (18,382)		\$ 103,506
4	Jurisdictional Adjusted Net Operating Income	<u>76,359</u>	<u>26,649</u>	C-1	<u>103,008</u>
5	Income Deficiency (Sufficiency) (Line 3 - Line 4)	\$ 45,529	\$ (45,031)		\$ 498
6	Earned Rate of Return (Line 4 / Line 1)	4.05%			5.49%
7	Net Operating Income Multiplier	<u>1.633971</u>	<u>0.000211</u>	A-1	<u>1.633760</u>
8	Base Rate Revenue Increase (Decrease)	<u><u>\$ 74,393</u></u>	<u><u>\$ (73,579)</u></u>		<u><u>\$ 814</u></u>

Gulf Power Company
Net Operating Income Multiplier
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)	(5)
Line No.	Description	Ref.	Company Percentage	OPC Percentage
1	Revenue Requirement		100%	100%
2	Regulatory Assessment Rate		0.0720%	0.0720%
3	Uncollectible Expense Factor	C-4	<u>0.2934%</u>	<u>0.2801%</u>
4	Net Before Income Taxes		99.635%	99.648%
5	State Income Tax Rate (Effective)		5.500%	5.500%
6	State Income Tax		<u>5.4799%</u>	<u>5.4806%</u>
7	Net Before Federal Income Taxes		94.155%	94.167%
8	Federal Income Tax Rate (Effective)		35.000%	35.000%
9	Federal Income Tax		<u>32.9543%</u>	<u>32.9585%</u>
10	Revenue Expansion Factor		61.2007%	61.2085%
11	Net Operating Income Multiplier		<u><u>1.633968</u></u>	<u><u>1.633760</u></u>
			To Sch A	To Sch A

Gulf Power Company
OPC Adjusted Rate Base
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)	(5)
Line No.	Description	Company's Jurisdictional Rate Base	OPC Jurisdictional Rate Base Adjustments	OPC Jurisdictional Adjusted Rate Base
1	<u>Plant In Service:</u>			
2	Plant in Service	\$ 2,944,168	\$ (4,693)	\$ 2,939,475
3	Less: Accumulated Depreciation	<u>(1,243,319)</u>	<u>10</u>	<u>(1,243,309)</u>
4	Net Plant	<u>\$ 1,700,849</u>	<u>\$ (4,683)</u>	<u>\$ 1,696,166</u>
5	<u>Other Rate Base Investment:</u>			
6	Plant Held for Future Use	5,276	-	5,276
7	Construction Work In Progress	26,656	(4,110)	22,546
8	Working Capital Allowance	<u>151,120</u>	<u>-</u>	<u>151,120</u>
9	Total Rate Base	<u>\$ 1,883,901</u>	<u>\$ (8,793)</u>	<u>\$ 1,875,108</u>

Gulf Power Company
OPC Rate Base Adjustments
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Line No.	Description	Witness	Ref No.	Total Adjustments to Rate Base	Jurisdictional Allocation Factor	OPC Adjusted Rate Base
1 Plant in Service Adjustments						
2	To Remove Incentive Comp from Rate Base	Garrett	B-3	\$ (2,420)	0.9814230	\$ (2,375)
3	Subtotal			<u>\$ (2,420)</u>		<u>\$ (2,375)</u>
4 Working Capital Adjustments						
5	Withdrawn	Garrett	B-4	\$ -	0.9845096	\$ -
6	Subtotal			<u>\$ -</u>		<u>\$ -</u>
7 Transmission Adjustments						
8	Plant in Service		C-12	\$ (2,378)	0.9747687	\$ (2,318)
9	Accumulated Depreciation			\$ 11	0.9090909	\$ 10
10	CWIP			\$ (4,225)	0.9727811	\$ (4,110)
11	Subtotal			<u>\$ (6,592)</u>		<u>\$ (6,418)</u>
12	Total			<u><u>\$ (9,012)</u></u>		<u><u>\$ (8,793)</u></u>

Gulf Power Company
Rate Base Adjustment for Short Term Incentives
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)	(5)
Line No.	Description	Ref.	Portion Capitalized	Rate Base
7	Performance Pay Program	OPC ROG 80		
8	Capital Items			
9	Direct			\$ 3,261
10	Allocated			828
11	Excluded by GPC			-
12	Subtotal			<u>\$ 4,089</u>
13	Financial Portion of Performance Pay Program		52.0%	\$ (2,126)
14	One Half of Customer Satisfaction Incentives		7.2%	<u>(294)</u>
15	Adjustment to Capitalized Incentives			<u><u>\$ (2,420)</u></u>

Gulf Power Company
Rate Base Adjustment for Storm Damage Reserve
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)
Line No.	Description	Ref.	Amount
1	Storm Damage Reserve at 12/31/2013	OPC ROG 162	\$ 35,372
2	Adjustment to Include the Storm Damage Reserve in Working Capital		<u>\$ -</u>
	Withdrawn		

Gulf Power Company
Adjusted Operating Income Statement
Projected Test Year Ended December 31, 2014
(\$000)

(1) Line No.	(2) Description	(3) Ref.	(4) Company Jurisdictional Net Operating Statement	(5) OPC Jurisdictional Adjustments	(6) OPC Jurisdictional Adjusted Income Statement
1 <u>Operating Revenues:</u>					
2	Sales of Electricity		\$ 505,620	\$ 1,243	506,863
3	Other Operating Revenues		23,031	-	23,031
4	Total Operating Revenues		\$ 528,651	\$ 1,243	\$ 529,894
5 <u>Operating Expenses:</u>					
6	Operation & Maintenance		290,199	\$ (27,517)	262,682
7	Depreciation & Amortization		104,505	(13,912)	90,593
8	Amortization of ITC		(878)	-	(878)
9	Taxes Other Than Income		31,917	(814)	31,103
10	Income Taxes Federal & State		12,985	16,837	29,822
11	Net Federal Deferred Income Tax		7,959	-	7,959
12	Net State Deferred Income Tax		5,605	-	5,605
			-	-	-
13	Total Operating Expenses		\$ 452,292	\$ (25,406)	\$ 426,886
14	Operating Income		\$ 76,359	\$ 26,649	\$ 103,008

Gulf Power Company
Net Operating Income Adjustments
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Line No.	Description	Witness	Ref. No.	Total Company Adjustment to Net Operating Income	Jurisdictional Allocation Factor	Jurisdictional Adjustment to Net Operating Income
1	Operating Revenues Adjustments					
2	To Adjust Revenues	Garrett	C- 11	1,243	1.0000000	\$ 1,243
3	Operations & Maintenance Expense					
4	To Adjust Short Term Incentive Expense	Garrett	C-3	(8,579)	0.9806803	(8,413)
5	To Adjust Long Term Incentive Expense	Garrett	C-3	(3,160)	0.9792787	(3,095)
6	To Adjust SERP Expense	Garrett	C- 4	(2,220)	0.9792787	(2,174)
7	To Adjust Payroll expense	Garrett	C- 5	(2,248)	0.9806803	(2,205)
8	To Adjust Medical Expense	Garrett	C-6	(387)	0.9806803	(380)
9	To Adjust D&O Expense	Garrett	C- 7	(48)	0.9792787	(47)
10	To Adjust Storm Damages Expense	Garrett	C- 8	(9,000)	0.9845096	(8,861)
11	To Adjust Corporate Aircraft Expense	Garrett	C- 9	(2,244)	0.9792787	(2,198)
12	To Uncollectible Expense	Garrett	C-10	(146)	0.9830180	\$ (144)
13	To Adjust Transmission Expenses	Norwood	C-12	-	0.9705818	-
14	Reserved			-	0.9806803	-
15	Subtotal			<u>\$ (28,032)</u>		<u>\$ (27,517)</u>
	Depreciation & Amortization					
16	Depreciation Expense	Norwood	C-12	\$ (35)	0.9714286	(34)
17	Depreciation Expense	Pous	C - 13	(14,133)	0.9819407	(13,878)
18	Subtotal			<u>\$ (14,168)</u>		<u>\$ (13,912)</u>
19	Taxes Other than Income					
20	To Adjust Payroll Tax Expense	Garrett	C-3, C- 5	(828)	0.9830180	(814)
21	Subtotal			<u>\$ (828)</u>		<u>\$ (814)</u>
22	Income Taxes					
23	Parent Debt Adjustment			\$ -	0.9813165	\$ -
24	Impact of O&M and Other Tax Adj. on FIT		C - 14	14,497	1.0000000	\$ 14,497
25	Impact of O&M and Other Tax Adj. on SIT		C - 14	2,278	1.0000000	\$ 2,278
26	Interest Synchronization Adjustment		C-15	\$ 62	1.0000000	\$ 62
27	Total Income Federal & State Income Taxes			<u>\$ 16,837</u>		<u>\$ 16,837</u>
28	Total Operating Income Adjustments			<u>\$ 27,434</u>		<u>\$ 26,649</u>
29	NOI before Income Tax Adjustments					<u>\$ 43,486</u>

Gulf Power Company
Short Term and Long Term Incentive Adjustments
Projected Test Year Ended December 31, 2014
(\$000)

(1) Line No.	(2) Description	(3) Ref.	(4) Amount
<u>Short-Term Incentive Expense Adjustment</u>			
1	Total Short-Term Incentive Expense	OPC-ROG 80	\$ 14,493
2	Financial Related Short-Term Incentives	OPC-ROG 80, (h) & (i)	<u>-52%</u>
3	Adjustment to Exclude Financial Related Short-Term Incentives		\$ (7,536)
4	Adjustment to Exclude 50% of Customer Satisfaction Incentives	OPC-ROG 80 (k)	<u>(1,043)</u>
5	Total Adjustment to Short-Term Incentive Expense		<u>\$ (8,579)</u>
6	Payroll Tax Rate		7.65%
7	Adjustment to Payroll Taxes for Short-Term Incentives		<u>\$ (656)</u>
<u>Long-Term Incentive Expense Adjustment</u>			
8	Total Long-Term Incentive Expense	OPC-ROG 81 and 82, (a), (b), and	\$ 3,160
9	Financial Related Portion to Exclude		<u>-100%</u>
10	Adjustment to Exclude Financial Related Short-Term Incentives		<u>\$ (3,160)</u>

Gulf Power Company
Supplemental Executive Retirement Plan Adjustment
Test Year Ended 12-31-10
(\$000)

(1) Line No.	(2) Description	(3) Ref.	(4) Total
1	Supplemental Executive Retirement Plan Costs	OPC-ROG-7	\$ 2,220
2	Expense Percentage		<u>100.00%</u>
3	Total Company SERP in Cost of Service		\$ 2,220
4	Adjustment to Remove SERP Expense		<u><u>\$ (2,220)</u></u>

**Gulf Power Company
 Payroll Expense and Payroll Tax Adjustments
 Projected Test Year Ended December 31, 2014
 (\$000)**

(1) Line No.	(2) Description	(3) Ref.	(4)	(5) Amount
1	Company's Payroll Expense, 2012	OPC-POD 1-1		\$ 81,371
2	Manufacturing Sector Productivity 2007-2012	Productivity and Labor Costs, BLS 9/2/2013		<u>1.7%</u>
3	OPC Productivity Adjustment 2012 - 2013			\$ (1,383)
4	Adjusted Company's Payroll Expense, 2013	OPC-POD 1-1 + Line 3	\$ 83,735	
5	Manufacturing Sector Productivity 2007-2012	Productivity and Labor Costs, BLS 9/2/2013	<u>1.7%</u>	
6	OPC Productivity Adjustment 2013 - 2014			<u>(1,423)</u>
7	OPC Total Productivity Adjustments	Line 3 + Line 6		\$ (2,806)
8	Less Company's Hiring Lag Adjustment	OPC-POD 1, C-3 Backup		<u>(558)</u>
9	OPC Net Productivity Adjustment	Line 7 - Line 8		<u>\$ (2,248)</u>
10	Payroll Tax Rate			<u>7.65%</u>
11	OPC Payroll Tax Adjustment	Line 9 x Line 10		<u>\$ (172)</u>

**Gulf Power Company
 Employee Medical Expense Adjustment
 Projected Test Year Ended December 31, 2014
 (\$000)**

(1)	(2)	(3)	(4)	(5)
Line No.	Description		Ref.	Amount
1	2012 Medical Expense		OPC-ROG 10	\$ 8,728
2	Employee Increase Factor			1.0475
3	Medical Cost Increase, 7% for 2 years		TW: 2013 Employer Survey on Purchasing Value in Health Care	<u>1.1449</u>
4	OPC Employee Medical Cost			\$ 10,467
5	Less Company Proforma Employee Medical Cost		OPC-ROG 10	<u>10,854</u>
6	OPC Adjustment to Employee Medical Cost			<u>\$ (387)</u>

Gulf Power Company
Directors and Officers' Liability Insurance Expense Adjustment
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)
Line No.	Description	Ref.	Amount
1	Total Director and Officer Liability Insurance	Erickson, p. 11	\$ 95
2	Portion to Exclude		<u>50%</u>
3	Adjustment to Director and Officer Liability Insurance		<u>\$ (48)</u>

Gulf Power Company
Storm Damage Accrual Adjustment
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)
Line No.	Description	Ref.	Amount
1	OPC Recommended Storm Damage Reserve Accrual		\$ -
2	Test Year Storm Damage Reserve Accrual	Erickson, p. 6	<u>9,000</u>
3	OPC Adjustment to Storm Damage Reserve Accrual		<u>\$ (9,000)</u>

Gulf Power Company
Corporate Aircraft Cost Allocation Adjustment
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)
Line No.	Description	Ref.	Amount
1	OPC Recommended Corporate Aircraft Cost		\$ -
2	Company's Requested Corporate Aircraft Cost		<u>2,244</u>
3	OPC Adjustment to Corporate Aircraft Expenses		<u>\$ (2,244)</u>

Gulf Power Company
Uncollectible Accounts Expense Adjustment
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Description	Ref.	Net Write-Offs	Gross Revenues	Uncollectible Factor
1	2010	GPC C-11	\$ 3,806	\$ 1,295,892	0.2937%
2	2011	GPC C-11	\$ 3,384	\$ 1,233,068	0.2744%
3	2012	GPC C-11	\$ 3,084	\$ 1,133,224	0.2721%
4	3-Year Average Uncollectible Factor				0.2801%
5	2014 Gross Revenues, Per Company				<u>\$ 1,307,803</u>
6	OPC Recommended Uncollectible Amount				\$ 3,663
7	Uncollectible Amount per Company		GPC C-4		<u>\$ 3,809</u>
8	OPC Reduction to Uncollectible Accounts				<u><u>\$ (146)</u></u>

**Gulf Power Company
Revenue Annualization Adjustment
Projected Test Year Ended December 31, 2014
(\$000)**

(1)	(2)	(3)	(4)
Line No.	Description	Ref.	Revenue Amount
1	OPC Adjusted Residential Electric Revenue Based on Annualized Customers		\$ 297,720
2	Gulf Power Company Adjusted Residential Electric Revenue	GPC E-13c, p 1	<u>\$ 296,477</u>
3	Adjusted Amount		<u>\$ 1,243</u>

Gulf Power Company
Transmission Expense Adjustment
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)
Line No.	Description	Ref.	Amount
1	OPC Adjustment to Transmission Expense:		
2	Plant-in-Service		\$ (2,378)
3	Accumulated Depreciation		\$ 11
4	CWIP		\$ (4,225)
5	Depreciation Expense		\$ (35)

Source: Exhibit SDR-2, Schedule 1

**Gulf Power Company
 Depreciation Expense Adjustment
 Projected Test Year Ended December 31, 2014
 (\$000)**

(1)	(2)	(3)	(4)
Line No.	Description	Ref.	Amount
1	OPC Total Adjustment to Depreciation Expense		\$ (19,986)
2	Less: OPC Adjustment to Depreciation Expense in Cost Recovery Clauses		<u>(5,853)</u>
3	OPC Adjustment to Depreciation Expense in Base Rates		<u>\$ (14,133)</u>

Gulf Power Company
Current Income Tax Expense Adjustment
Projected Test Year Ended December 31, 2014
(\$000)

(1) Line No.	(2) Description	(3) Ref.	(4) Amount
1	Jurisdictional Operating Income Adj. before Income Taxes		\$ 43,486
2	Composite Income Tax Rate		<u>38.575%</u>
3	Adjustment to Income Tax Expense		\$ 16,775
4	Federal		\$ 14,497
5	State		<u>2,278</u>
6	Total Federal & State		<u><u>\$ 16,775</u></u>

Gulf Power Company
Interest Synchronization Adjustment
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)
Line No.	Description	Ref.	Amount
1	Adjusted Jurisdictional Rate Base	B-1	\$ 1,875,108
2	Weighted Cost of Debt	D-1	<u>1.84%</u>
3	Interest Deduction for Income Taxes		\$ 34,502
4	Interest Deduction for Income Per Company		<u>34,664</u>
5	Increase in Deductible Interest		\$ (162)
6	Consolidated Income Tax Rate		<u>38.575%</u> 1.592353
7	Reduction (Increase) to Income Tax Expense		<u><u>\$ (62)</u></u>
8	Long Term Debt	D-1	1.80%
9	Short Term Debt	D-1	0.01%
10	Customer Deposits	D-1	<u>0.03%</u>
11	Weighted Cost of Debt		1.84%
12	GPC Total Company Jurisdictional Rate Base		<u><u>\$ 1,883,901</u></u>

Gulf Power Company
Capital Structure
Projected Test Year Ended December 31, 2014
(\$000)

(1)	(2)	(3)	(4)	(5)	(6)
Line No.	Description	Capitalization Jurisdiction Amount	Ratio	Cost of Capital	Weighted Cost of Capital
1	<u>GPC Requested Capital Structure:</u>				
2	Long Term Debt	\$ 685,025	36.36%	4.96%	1.80%
3	Short Term Debt	27,615	1.47%	0.82%	0.01%
4	Preferred Stock	79,085	4.20%	6.00%	0.25%
5	Common Stock	715,221	37.96%	11.50%	4.37%
6	Customer Deposits	20,943	1.11%	2.30%	0.03%
7	Deferred Income Tax	379,918	20.17%	0.00%	0.00%
8	FASB 109 Deferred Taxes	(25,718)	-1.37%	0.00%	0.00%
9	Investment Credit	1,812	0.10%	8.18%	0.01%
10	TOTAL	<u>\$ 1,883,901</u>	<u>100.00%</u>		<u>6.47%</u>
11	<u>OPC Adjusted Capital Structure:</u>				
12	Long Term Debt	\$ 685,025	36.36%	4.96%	1.80%
13	Short Term Debt	27,615	1.47%	0.82%	0.01%
14	Preferred Stock	79,085	4.20%	6.00%	0.25%
15	Common Stock	715,221	37.96%	9.00%	3.42%
16	Customer Deposits	20,943	1.11%	2.30%	0.03%
17	Deferred Income Tax	379,918	20.17%	0.00%	0.00%
18	FASB 109 Deferred Taxes	(25,718)	-1.37%	0.00%	0.00%
19	Investment Credit	1,812	0.10%	8.18%	0.01%
20	TOTAL	<u>\$ 1,883,901</u>	<u>100.00%</u>		<u>5.52%</u>

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing REVISED TESTIMONY PAGES AND EXHIBIT MEG-3 OF MARK GARETT has been furnished by electronic mail and/or U.S. mail to the following parties on this 6th day of November, 2013, to the following:

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