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March 3, 2014

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

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14 MAR -5 AM 9:41  
COMMISSION  
CLERK

RE: Request to Change AFUDC Rate

Dear Ms. Stauffer:

Gulf Power Company (Gulf) requests that the Florida Public Service Commission approve a change to the rate Gulf uses to capitalize the allowance for funds used during construction (AFUDC) from 6.26% to 5.73%, effective January 1, 2014. This request is based on the attached Schedules A through C that are consistent with the Commission's approved methodology prescribed in Rule 25-6.0141, Florida Administrative Code, and based on the Company's thirteen-month average capital structure.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr.".

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

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Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esq

**Gulf Power Company**  
**Calculation of AFUDC Rate**  
**Based On December 2013 Earning Surveillance Report**

**Schedule A**

<u>Class of Capital</u>	<u>Jurisdictional Capital Structure</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long Term Debt	688,065,677	36.61%	4.73	1.73
Short-Term Debt	44,308,005	2.36%	0.39	0.01
Preference Stock	69,911,628	3.72%	6.14	0.23
Customer Deposits	21,966,096	1.17%	2.38	0.03
Common Equity	684,068,555	36.40%	10.25	3.73
Investment Tax Credits	2,484,244	0.13%		
FASB 109 Deferred Taxes	(24,106,727)	-1.28%		
Deferred Taxes	<u>392,475,572</u>	<u>20.89%</u>		
Total	<u>1,879,173,050</u>	<u>100.00%</u>		<u>5.73</u>

AFUDC Rate Currently Authorized per order: PSC-12-0482-PAA-EI

6.26 %

**Gulf Power Company**  
**13 MONTH AVERAGE CAPITAL STRUCTURE**  
**Based On December 2013 Earning Surveillance Report**

**SCHEDULE B**

	<u>Balance Per Books</u>	<u>Non Utility Adjustment</u>	<u>Scherer Adjustment</u>	<u>Dividends Declared</u>	<u>Rate Base Adjustments</u>	<u>Adjusted Capital Structure</u>	<u>Jurisdictional Factor</u>	<u>Jurisdictional Capital Structure</u>
LONG TERM DEBT	1,222,015,159	-	(106,992,583)	-	(411,868,110)	703,154,466	0.9785413	688,065,677
SHORT-TERM DEBT	104,073,238	-	(9,121,643)	-	(49,671,948)	45,279,647	0.9785413	44,308,005
PREFERENCE STOCK	124,130,306	-	(10,837,278)	-	(41,848,288)	71,444,740	0.9785413	69,911,628
CUSTOMER DEPOSITS	34,832,593	-	-	-	(12,866,497)	21,966,096	1.0000000	21,966,096
COMMON EQUITY	1,210,162,020	(13,017,118)	(106,376,657)	17,776,923	(409,475,479)	699,069,689	0.9785413	684,068,555
ITC - ZERO COST	-	-	-	-	-	-	0.9785413	-
ITC - WEIGHTED COST	4,731,494	-	(705,733)	-	(1,487,039)	2,538,722	0.9785413	2,484,244
FASB 109 DIT	(42,045,402)	-	2,980,025	-	14,430,006	(24,635,371)	0.9785413	(24,106,727)
DEFERRED TAXES	684,530,636	-	(48,517,044)	-	(234,931,311)	401,082,281	0.9785413	392,475,572
<b>TOTAL</b>	<b>3,342,430,044</b>	<b>(13,017,118)</b>	<b>(279,570,913)</b>	<b>17,776,923</b>	<b>(1,147,718,666)</b>	<b>1,919,900,270</b>		<b>1,879,173,050</b>

**Gulf Power Company**  
**Calculation of Monthly AFUDC Rate**

**Schedule C**

The formula used to discount the annual AFUDC rate to reflect monthly compounding is as follows:

$$M = \left\{ \left( 1 + \frac{A}{100} \right)^{1/12} - 1 \right\} \times 100$$

Where:

M= Discounted monthly AFUDC rate.

A= Annual AFUDC rate.

Using the requested rate of 5.73%

$$M = \left\{ \left( 1 + \frac{5.73}{100} \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ \left( 1 + 0.0573 \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ \left( 1.0573 \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ 1.00465400 - 1 \right\} \times 100$$

$$M = \left\{ 0.00465400 \right\} \times 100$$

$$M = \underline{\underline{0.465400}}$$