

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: November 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (King) *[Handwritten initials]*
Office of the General Counsel (Tan, Corbari, Cuello, Lherisson) *[Handwritten initials]*

RE: Docket No. 160186-EI – Petition for rate increase by Gulf Power Company.

Docket No. 160170-EI-Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company.

AGENDA: 12/06/16 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Patronis

CRITICAL DATES: 12/12/16 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

In Gulf's most recent base rate proceeding in Docket No. 130140-EI, the Commission approved a settlement agreement which authorized revenue increases of \$35 million in January 2014 and an additional \$20 million in 2015, for a total increase of \$55 million.¹ The settlement covers a term of 42 months that began with the first billing cycle of January 2014 and ends on the last billing cycle of June 2017.

¹ Order No. PSC-13-0670-S-EI, issued December 19, 2013, in Docket No. 130140-EI, *In re: Petition for rate increase by Gulf Power Company*.

Docket Nos. 160186-EI, 160170-EI
Date: November 22, 2016

This proceeding commenced on October 12, 2016, with the filing of a petition for a permanent rate increase and motion to consolidate dockets by Gulf Power Company (Gulf).² Gulf provides electric service to approximately 450,000 retail customers in all or parts of eight Florida counties. Gulf requested an increase in its retail rates and charges to generate approximately \$106.8 million in additional gross annual revenues, effective July 1, 2017. Gulf also requested approval of an authorized return on equity (ROE) of 11.0 percent, with a range of plus or minus 100 basis points. The hearing is scheduled for March 20-24, 2017. Gulf did not request any interim rate relief.

On October 14, 2016, the Commission acknowledged the Office of Public Counsel's notice of intervention in this proceeding.³ Also, petitions for intervention were recently filed by the Federal Executive Agencies and the Southern Alliance for Clean Energy.

This recommendation addresses the suspension of the requested permanent rate increase. The Commission has jurisdiction pursuant to Sections 366.06(2), (3), and (4), Florida Statutes.

² Gulf's motion to consolidate dockets was approved by Order No. PSC-16-0511-PCO-EI, issued November 9, 2016, in Docket No. 160170-EI, *In re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization*, by Gulf Power Company and Docket No. 160186-EI, *In re: Petition for rate increase by Gulf Power Company*

³ Order No. PSC-16-0466-PCO-EI, issued October 14, 2016, in Docket No. 160186-EI, *In re: Petition for rate increase by Gulf Power Company*.

Discussion of Issues

Issue 1: Should Gulf's request for a \$106,782,000 permanent base rate increase and the associated tariff revisions be suspended pending a final decision in this docket?

Recommendation: Yes. The \$106,782,000 permanent base rate increase and its associated tariff revisions requested by Gulf should be suspended in order to allow staff and any intervenors sufficient time to adequately and thoroughly examine whether the request for permanent rate relief is appropriate. (King)

Staff Analysis: Gulf filed its petition, testimony, and minimum filing requirements on October 12, 2016. Gulf has requested a total permanent base rate increase of \$106,782,000 based on a projected test year ending December 31, 2017.

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 \$106,782,000 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.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open to process Gulf's revenue increase request. (Tan, Corbari, Cuello, Lherisson)

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