

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

Witness: **Direct Testimony of Donna D. Brown,**
Appearing on Behalf of the Staff of the Florida Public Service Commission

Date Filed: January 13, 2017

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **COMMISSION STAFF**

3 **DIRECT TESTIMONY OF DONNA D. BROWN**

4 **DOCKET NO. 160186-EI**

5 **JANUARY 13, 2017**

6 **Q. Please state your name and business address.**

7 A. My name is Donna D. Brown. My business address is 2540 Shumard Oak Boulevard,
8 Tallahassee, Florida, 32399.

9 **Q. By whom are you presently employed and in what capacity?**

10 A. I am employed by the Florida Public Service Commission (FPSC or Commission) as a
11 Public Utility Analyst II in the Office of Auditing and Performance Analysis. I have been
12 employed by the Commission since February 2008.

13 **Q. Briefly review your educational and professional background.**

14 A. I graduated from Florida A&M University's School of Business & Industry in 2006 with
15 a Bachelor of Arts degree in Accounting.

16 **Q. Please describe your current responsibilities.**

17 A. My responsibilities consist of planning and conducting utility audits of manual and
18 automated accounting systems for historical and forecasted data.

19 **Q. Have you presented testimony before this Commission or any other regulatory**
20 **agency?**

21 A. Yes. I filed testimony in the Fuel and Purchased Power Cost Recovery Clause, Docket
22 Nos. 110001-EI and 120001-EI.

23 **Q. What is the purpose of your testimony today?**

24 A. The purpose of my testimony is to sponsor the staff audit report of Gulf Power Company
25 Utility or GPC) which addresses the Utility's application for a rate increase. This audit report is

1 filed with my testimony and is identified as Exhibit DDB-1.

2 **Q. Was this audit prepared by you or under your direction?**

3 A. Yes, it was prepared under my direction.

4 **Q. Please describe the work you performed in this audit.**

5 A. We performed the following procedures:

6 We verified, based on a judgmental sample of Utility Plant in Service (UPIS) additions,
7 retirements and adjustments for selected plant accounts, that the Utility's UPIS is properly
8 recorded for the period January 1, 2013, through December 31, 2015. We traced the UPIS
9 adjustments to source documents and noted that they were consistent with Order No. PSC-13-
10 0670-S-EI. We recalculated a sample of 13-month average balances for UPIS included in the
11 filing.

12 We verified, based on a judgmental sample of Plant Held for Future Use (PHFU)
13 properties presented in the filing, that the PHFU balance is properly stated as of December 31,
14 2015. We reviewed documents describing the planned use for properties in our sample and
15 inquired about changes in use for existing properties. We traced the PHFU adjustments to source
16 documents and noted that they were consistent with Order No. PSC-13-0670-S-EI. We
17 recalculated a sample of 13-month average balances for PHFU included in the filing.

18 We verified, based on a judgmental sample of Construction Work in Progress (CWIP)
19 projects included in the filing, that the CWIP balance is properly stated as of December 31, 2015.
20 We reviewed utility documents describing each project sampled to determine whether it was
21 eligible to accrue Allowance for Funds used During Construction (AFUDC). We verified that
22 projects accruing AFUDC were not included in rate base in the filing. We traced the CWIP
23 adjustments to source documents and noted that they were consistent with Order No. PSC-13-
24 0670-S-EI. We recalculated a sample of 13-month average balances for CWIP included in the
25 filing.

1 We verified, based on a judgmental sample of selected Accumulated Depreciation (AD)
2 accounts, that the AD is properly recorded for the period January 1, 2013, through December 31,
3 2015, and the Utility properly restated and used the depreciation rates approved in the order cited
4 above. We traced the AD adjustments to source documents and noted that they were consistent
5 with Order No. PSC-13-0670-S-EI. We recalculated a sample of 13-month average balances for
6 selected AD accounts included in the filing.

7 We verified, based on a judgmental sample of selected accounts, that the Working
8 Capital (WC) balance is properly stated, utility in nature, non-interest bearing, does not include
9 non-utility items, and is consistent with Order No. PSC-13-0670-S-EI. We verified, based on a
10 judgmental sample of selected accounts that the accumulated provision accounts year end
11 balances comply with Commission Rule 25-6.0143, Florida Administrative Code. We
12 recalculated a sample of 13-month average balances for selected WC accounts included in the
13 filing.

14 We reconciled 2015 revenues to the general ledger. We reviewed Commission audits of
15 the Utility's cost recovery clauses, which included recalculations of a sample of customer bills, to
16 ensure that the Utility was using the rates authorized in its approved tariffs. We verified that
17 unbilled revenues were calculated correctly. We traced the revenue adjustments to source
18 documents and noted that they were consistent with Order No. PSC-13-0670-S-EI.

19 We verified, based on a judgmental sample of utility transactions for select O&M
20 expense accounts, that 2015 O&M expense balances are adequately supported by source
21 documentation, utility in nature and do not include non-utility items. We reviewed samples of
22 utility advertising expenses, legal fees, outside service expenses, sales expenses, customer
23 service expenses, and administrative and general service expenses to ensure that amounts
24 supporting non-utility operations were removed. We traced the O&M expense adjustments to
25 source documents and noted that they were consistent with Order No. PSC-13-0670-S-EI. We

1 obtained a breakdown of the Affordable Health Care Act and its impact on revenues, expenses,
2 and tax liabilities.

3 We recalculated a judgmental sample of depreciation expense accruals to verify that the
4 Utility is using the correct depreciation rates established in Order No. PSC-13-0670-S-EI. We
5 traced the depreciation expense adjustments to source documents and noted that they were
6 consistent with the order cited above.

7 We verified, based on a judgmental sample of transactions for select TOTI accounts, that
8 TOTI expenses are adequately supported by source documentation. We traced the TOTI
9 adjustments to source documents and noted that they were consistent with Order No. PSC-13-
10 0670-S-EI.

11 Audit staff traced the Utility's net operating income reflected in the MFRs to the general
12 ledger. We reviewed the Utility provided schedule that reconciles the MFR amounts for the
13 taxable income per books, the temporary and permanent differences, and the deferred income tax
14 balances to the tax returns. We traced selected items to the 2015 tax return.

15 We obtained the rate base/capital structure reconciliation and determined that the non-
16 utility adjustments removed in rate base were removed in the capital structure. Audit staff
17 reconciled the cost of capital cost rates for the historical base year to the debt documentation.
18 We obtained a reconciliation of the rate base adjustments in the capital structure and traced it to
19 the MFRs and the general ledger.

20 We reviewed the Utility's MFR B-3 schedule and reconciled it to the general ledger. We
21 reviewed the Utility's 2014 and 2015 tax returns, and reconciled selected items to Utility support.
22 We also reviewed Utility provided support and reconciled the documentation to the general
23 ledger.

24 Audit staff developed a four year, 2012 to 2015, analytical review that compared the
25 annual percentage changes and the 2015 over 2012 total percentage change for the FERC account

1 balances. Accounts that demonstrated significant activity or percentage change, as determined
2 by the auditor, were randomly selected for additional review.

3 Audit staff reviewed the Utility's policies and procedures relating to the recording of
4 affiliate transactions and the cost/allocation manual for employees. During the review of rate
5 base and net operating income, we examined items that were allocated as per the Utility's
6 policies and procedures.

7 We requested a listing of audit reports of Gulf Power Company issued by FERC from
8 January 1, 2013, to December 31, 2015. There were none.

9 We reviewed the internal audits to determine if any adjustments materially affected the
10 historical base year. We noted that the Utility had performed any required corrective action in
11 the applicable follow-up audit. We reviewed the 2015 annual report. The annual report was
12 released on February 26, 2016, and included the unqualified opinion by Deloitte and Touche
13 LLP.

14 We reviewed Gulf Power Company's Board of Directors meeting minutes from January
15 1, 2013 to December 31, 2015, for activities or issues that could affect the Utility in the current
16 rate case proceeding.

17 **Q. Were there any audit findings in the audit report, Exhibit DDB-1, which address the**
18 **historical 2015 amounts in the schedules prepared by the Utility in support of it's filing in**
19 **the current docket?**

20 A. No.

21 **Q. Does that conclude your testimony?**

22 A. Yes, it does.

23

24

25

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

Gulf Power Company
Rate Case Audit

Twelve Months Ended December 31, 2015

Docket No. 160186-EI
Audit Control No. 16-295-1-1
December 21, 2016

A handwritten signature in black ink, appearing to read "Donna D. Brown", written over a horizontal line.

Donna D. Brown
Audit Manager

A handwritten signature in black ink, appearing to read "George Simmons", written over a horizontal line.

George Simmons
Audit Staff

A handwritten signature in blue ink, appearing to read "Marisa N. Glover", written over a horizontal line.

Marisa N. Glover
Reviewer

Table of Contents

Purpose..... 1

Objectives and Procedures..... 2

Audit Findings

 None..... 8

Exhibits

 1: Rate Base 9

 2: Net Operating Income..... 10

 3: Capital Structure 11

Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Accounting & Finance in its audit service request dated October 20, 2016. We have applied these procedures to the attached schedules prepared by Gulf Power Company in support of its filing for rate relief in Docket No. 160186-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions

GPC/Utility refers to Gulf Power Company

Southern/Parent refers to The Southern Company

FERC refers to the Federal Energy Regulatory Commission

USOA refers to the FERC Uniform System of Accounts as adopted by Commission Rule 25-6.014 – Records and Reports in General, Florida Administrative Code. (F.A.C.)

Background

Gulf Power Company filed a petition for a permanent rate increase on August 12, 2016. GPC has provided electric utility service to its customers since 1926 and now serves more than 436,000 retail customers across 8 counties in Northwest Florida. The Utility is a wholly-owned subsidiary of The Southern Company.

The Utility's last petition for rate relief was granted in Docket No. 130140-EI, in Order No. PSC-13-0670-S-EI, Petition for Rate Increase, issued December 19, 2013. That case was resolved via a Stipulation and Settlement Agreement.

Objectives: The objectives in this proceeding were to determine whether the Utility's 2015 historic year end filing in Docket No. 160186-EI is consistent and in compliance with Section 366.06 – Rates, Procedures for Fixing and Changing, Florida Statutes (F.S.), and Commission Rule 25-6.043 – Investor Owned Electric Utility Minimum Filing Requirements, F.A.C.

Procedures: We performed the following specific objectives and procedures to satisfy the overall objective identified above.

Rate Base

Utility Plant in Service

Objectives: The objectives were to determine whether utility plant in service (UPIS) exists and is owned by the utility, additions are authentic and recorded at original cost, proper retirements were made when a replacement asset was put into service, UPIS is properly classified in compliance with the USOA, UPIS balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-13-0670-S-EI and to recalculate the 13-month average balance for UPIS as of December 31, 2015.

Procedures: We verified, based on a judgmental sample of UPIS additions, retirements and adjustments for selected plant accounts, that the Utility's UPIS is properly recorded for the period January 1, 2013 through December 31, 2015. We traced the UPIS adjustments to source documents and noted that they were consistent with the order cited above. We recalculated a sample of 13-month average balances for UPIS included in the filing. No exceptions were noted.

Property Held for Future Use

Objectives: The objective was to determine the nature and purpose of utility properties recorded as plant held for future use (PHFU) and to disclose material additions or changes to the Utility's planned use for such properties; PHFU balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-13-0670-S-EI, and to recalculate the 13-month average balance for PHFU as of December 31, 2015.

Procedures: We verified, based on a judgmental sample of PHFU properties presented in the filing, that the PHFU balance is properly stated as of December 31, 2015. We reviewed documents describing the planned use for properties in our sample and inquired about changes in use for existing properties. We traced the PHFU adjustments to source documents and noted that they were consistent with the order cited above. We recalculated a sample of 13-month average balances for PHFU included in the filing. No exceptions were noted.

Construction Work in Progress

Objectives: The objectives were to determine the nature and purpose of utility projects recorded as construction work in progress (CWIP), and whether projects that are eligible to accrue allowance for funds used during construction (AFUDC) are excluded from rate base pursuant to Commission Rule 25-6.0141, F.A.C. – Allowance for Funds Used During Construction, CWIP balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-13-0670-S-EI, and to recalculate the 13-month average balance for CWIP as of December 31, 2015.

Procedures: We verified, based on a judgmental sample of CWIP projects included in the filing, that the CWIP balance is properly stated as of December 31, 2015. We reviewed utility documents describing each project sampled to determine whether it was eligible to accrue AFUDC. We verified that projects accruing AFUDC were not included in rate base in the filing. We traced the CWIP adjustments to source documents and noted that they were consistent with the order cited above. We recalculated a sample of 13-month average balances for CWIP included in the filing. No exceptions were noted.

Accumulated Depreciation

Objectives: The objectives were to determine whether accruals, retirements and adjustments to accumulated depreciation (AD) are properly recorded in compliance with the USOA, to determine whether the Utility used the depreciation rates established in the following Orders:

1)PSC-10-0458-PAA-EI - Depreciation and Dismantlement study, 2) PSC-10-0674-PAA-EI – Perdido Landfill, 3) PSC-12-0179-FOF-EI – AMI Meter Equipment, and 4) PSC-12-0300-PAA-EI – Automobiles. The objectives are also to determine whether the balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-13-0670-S-EI, and to recalculate the 13-month average balance for AD as of December 31, 2015.

Procedures: We verified, based on a judgmental sample of selected AD accounts, that the AD is properly recorded for the period January 1, 2013 through December 31, 2015, and the Utility properly restated and used the depreciation rates approved in the order cited above. We traced the AD adjustments to source documents and noted that they were consistent with the order cited above. We recalculated a sample of 13-month average balances for selected AD accounts included in the filing. No exceptions were noted.

Working Capital

Objectives: The objectives were to determine whether the working capital (WC) account balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-13-0670-S-EI, and the provisions of Rule 25-6.0143, F.A.C. – Use of Accumulated Provision Accounts, and, to recalculate the 13-month average balance for WC as of December 31, 2015.

Procedures: We verified, based on a judgmental sample of selected accounts, that the WC balance is properly stated, utility in nature, non-interest bearing, does not include non-utility items, and is consistent with the order cited above. We verified, based on a judgmental sample of selected accounts, that the accumulated provision accounts year end balances comply with the Commission rule cited above. We recalculated a sample of 13-month average balances for selected WC accounts included in the filing. No exceptions were noted.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether 2015 revenues are properly calculated and recorded in compliance with the USOA and are based on approved tariff rates.

Procedures: We reconciled 2015 revenues to the general ledger. We reviewed Commission audits of the Utility's cost recovery clauses, which included recalculations of a sample of customer bills, to ensure that the Utility was using the rates authorized in its approved tariffs. We verified that unbilled revenues were calculated correctly. We traced the revenue adjustments to source documents and noted that they were consistent with Order No. PSC-13-0670-S-EI. No exceptions were noted.

Operation and Maintenance Expense

Objectives: The objectives were to determine whether 2015 operation and maintenance (O&M) expenses are properly recorded in compliance with the USOA, the O&M expenses are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-13-0670-S-EI, and were reasonable for ongoing utility operations.

Procedures: We verified, based on a judgmental sample of utility transactions for select O&M expense accounts, that 2015 O&M expense balances are adequately supported by source documentation, utility in nature and do not include non-utility items. and are recorded consistent with the USOA. We reviewed samples of utility advertising expenses, legal fees, outside service expenses, sales expenses, customer service expenses, and administrative and general service expenses to ensure that amounts supporting non-utility operations were removed. We traced the O&M expense adjustments to source documents and noted that they were consistent with the order cited above. We obtained a breakdown of the Affordable Health Care Act and its impact on revenues, expenses, and tax liabilities. No exceptions were noted.

Depreciation and Amortization

Objectives: The objectives were to determine whether 2015 depreciation expense is properly recorded in compliance with the USOA and based on Commission adjustments in the prior rate case in Order No. PSC-13-0670-S-EI, and to determine that depreciation expense accruals are calculated using the depreciation rates established in Order Nos. PSC-10-0458-PAA-EI, PSC-10-0674-PAA-EI, PSC-12-0179-FOF-EI, and PSC-12-0300-PAA-EI.

Procedures: We recalculated a judgmental sample of depreciation expense accruals to verify that the Utility is using the correct depreciation rates established in the order cited above. We traced the depreciation expense adjustments to source documents and noted that they were consistent with the order cited above. No exceptions were noted.

Taxes Other than Income

Objectives: The objective was to determine whether 2015 taxes other than income (TOTI) is properly recorded in compliance with the USOA and based on Commission adjustments in the prior rate case in Order No. PSC-13-0670-S-EI.

Procedures: We verified, based on a judgmental sample of transactions for select TOTI accounts, that TOTI expenses are adequately supported by source documentation. We traced the TOTI adjustments to source documents and noted that they were consistent with the order cited above. No exceptions were noted.

Income Taxes

Objectives: The objective was to reconcile the federal and state income taxes to the MFRs and the general ledger, and to determine whether deferred income tax expense and the deferred tax balances include proper bonus depreciation treatment of property additions.

Procedures: Audit staff traced the Utility's net operating income reflected in the MFRs to the general ledger. We reviewed the Utility provided schedule that reconciles the MFR amounts for the taxable income per books, the temporary and permanent differences, and the deferred income tax balances to the tax returns. We traced selected items to the 2015 tax return. No exceptions were noted and no further work was performed.

Capital Structure

Objectives: The objectives were to determine whether the non-utility assets supported by the Utility's capital structure were removed in the rate base/capital structure reconciliation, the cost rates used in the computation of the cost of capital are appropriate, the rate base adjustments were adjusted in the capital structure, and to reconcile the Utility book amounts to the MFRs and the general ledger.

Procedures: We obtained the rate base/capital structure reconciliation and determined that the non-utility adjustments removed in rate base were removed in the capital structure. Audit staff reconciled the cost of capital cost rates for the historical base year to the debt documentation. We obtained a reconciliation of the rate base adjustments in the capital structure and traced it to the MFRs and the general ledger. No exceptions were noted.

Other

Accumulated Deferred Income Taxes

Objectives: The objective was to determine whether Accumulated Deferred Income Taxes (ADIT) as noted per the Utility's rate case filing is representative of the Utility's books and records.

Procedures: We reviewed the Utility's MFR B-3 schedule and reconciled it to the general ledger. We reviewed the Utility's 2014 and 2015 tax returns, and reconciled selected items to Utility support. We also reviewed Utility provided support and reconciled the documentation to the general ledger

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's rate case filing using prior years FERC Form 1 filings with the Commission.

Procedures: Audit staff developed a four year, 2012 to 2015, analytical review that compared the annual percentage changes and the 2015 over 2012 total percentage change for the FERC account balances. Accounts that demonstrated significant activity or percentage change, as determined by the auditor, were randomly selected for additional review. No exceptions were noted.

Affiliate Transactions

Objectives: The objective was to review intercompany charges to and from divisions, affiliated companies, and non-regulated operations to determine if an appropriate amount of costs were allocated pursuant to Rule 25-6.1351, F.A.C. We were also to determine the original amounts allocated, whether the methodology was reasonable, and to check for accuracy and consistent application.

Procedures: Audit staff reviewed the Utility's policies and procedures relating to the recording of affiliate transactions and the cost/allocation manual for employees. During the review of rate base and net operating income, we examined items that were allocated as per the Utility's policies and procedures. No exceptions were noted.

Federal Energy Regulatory Commission Audit

Objectives: The objective was to determine whether there were any exceptions and disclosures noted in the last FERC audit applicable to this current rate proceeding.

Procedures: We requested a listing of audit reports of Gulf Power Company issued by FERC from January 1, 2013 to December 31, 2015. There were none.

Internal and External Audits

Objectives: The objective was to determine whether there were any exceptions and disclosures noted in any internal or external audits applicable to this current rate proceeding.

Procedures: We reviewed the internal audits to determine if any adjustments materially affected the historical base year. We noted that the Utility had performed any required corrective action in the applicable follow-up audit. We reviewed the 2015 annual report. The annual report was released on February 26, 2016, and included the unqualified opinion by Deloitte and Touche LLP. No exceptions were noted.

Board of Director Meetings

Objectives: The objective was to review the minutes of the Board of Directors.

Procedures: We reviewed Gulf Power Company's Board of Directors meeting minutes from January 1, 2013 to December 31, 2015, for activities or issues that could affect the Utility in the current rate case proceeding. No exceptions were noted.

Audit Findings

None

Exhibits

Exhibit 1: Rate Base

Schedule B-1	ADJUSTED RATE BASE	Page 3 of 3
FLORIDA PUBLIC SERVICE COMMISSION	EXPLANATION: Provide a schedule of the 13-month average adjusted ratebase for the test year, the prior year and the most recent historical year. Provide the details of all adjustments on Schedule B-2.	Type of Data Shown: <input type="checkbox"/> Projected Test Year Ended 12/31/17 <input type="checkbox"/> Prior Year Ended 12/31/16 <input checked="" type="checkbox"/> Historical Year Ended 12/31/15
COMPANY: GULF POWER COMPANY		Witness: S. D. Fillionour
DOCKET NO.: 160186-EI		

Adjusted 13-Month Average Rate Base
(\$000s)

(1) Line No.	(2) Rate Base Components	(3) Total Company per Books	(4) Non-Electric Utility	(5) Electric Utility (3) + (4)	(6) Commission Adjustments Made in Last Case as Applicable (Sch. B-2)	(7) Adjusted per Commission (5) + (6)	(8) Company Adjustments (Sch. B-2)	(9) Total Utility with Commission & Company Adjustments (7) + (8)	(10) Unit Power Rates	(11) Total Utility Adjusted for UPS (9) + (10)	(12) Jurisdictional Rate Base Factor	(13) Jurisdictional Utility Adjusted Per Company & Commission (11) x (12)
1	Plant-in-Service	4,712,934	0	4,712,934	(1,284,744)	3,428,190	0	3,428,190	(395,838)	3,032,352	0.9818709	2,977,378
2	Accumulated Depreciation											
3	& Amortization	(1,576,544)	0	(1,576,544)	179,178	(1,397,366)	0	(1,397,366)	134,844	(1,262,522)	0.9823098	(1,240,188)
4	Net Plant-in-Service (1) - (3)	3,136,390	0	3,136,390	(1,105,566)	2,030,824	0	2,030,824	(260,994)	1,769,830	0.9815578	1,737,190
5	Plant Held for Future Use	14,894	0	14,894	0	14,894	0	14,894	0	14,894	0.9720810	14,478
6	Construction Work-in-Progress	375,074	0	375,074	(338,088)	37,008	0	37,008	(2,278)	34,728	0.9794420	34,014
7	Plant Acquisition Adjustment	1,648	0	1,648	0	1,648	0	1,648	(1,648)	0	0.9710648	0
8	Net Utility Plant (4)+(5)+(6)+(7)	3,528,006	0	3,528,006	(1,443,634)	2,084,372	0	2,084,372	(284,920)	1,819,452	0.9814397	1,785,682
9	Working Capital Allowance	234,621	(12,860)	222,061	23,254	245,315	(25,468)	219,847	(14,750)	205,097	0.9799753	200,990
10	Total Rate Base (8) + (9)	3,762,627	(12,860)	3,750,067	(1,420,380)	2,329,687	(25,468)	2,304,219	(279,670)	2,024,549		1,996,872

Exhibit 2: Net Operating Income

Schedule C-1		ADJUSTED JURISDICTIONAL NET OPERATING INCOME										Page 3 of 3	
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: Provide the calculation of the jurisdictional net operating income for the test year, the prior year and the most recent historical year.										Type of Data Shown:	
COMPANY: GULF POWER COMPANY												<input type="checkbox"/> Projected Test Year Ended 12/31/17 <input type="checkbox"/> Prior Year Ended 12/31/16 <input checked="" type="checkbox"/> Historical Year Ended 12/31/16	
DOCKET NO.: 160186-EI		(\$000s)										Witness: S. D. Ritenour	
Adjusted Jurisdictional Net Operating Income Calculation for the Twelve Months Ended													
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Line No.	Description	Total Company per Books	Non-Electric Utility	Electric Utility (4) - (5)	Commission Adjustments (Sch. C-3)	Adjusted per Commission (8) + (7)	Company Adjustments (Sch. C-3)	Total Adjusted Utility (8) + (9)	Unit Power Sales Net Operating Income	Total Adjusted Utility net of UPS (10) + (11)	Jurisdictional Separation Factor	Jurisdictional Amount (12) x (13)	
1 Operating Revenues:													
2	Sales of Electricity	1,489,114	-	1,489,114	(863,212)	625,902	-	625,902	(58,803)	567,099	0.9779833	554,602	
3	Other Operating Revenues	(6,108)	-	(6,108)	31,188	25,087	-	25,087	(31)	25,056	0.8217183	20,589	
4	Total Operating Revenues	1,483,006	-	1,483,006	(832,017)	650,989	-	650,989	(58,834)	592,155	0.9713821	576,191	
5 Operating Expenses:													
6	Recoverable Fuel	499,635	-	499,635	(499,635)	-	-	-	-	-	-	-	
7	Recoverable Capacity	88,843	-	88,843	(88,843)	-	-	-	-	-	-	-	
8	Recoverable Conservation	18,488	-	18,488	(18,488)	-	-	-	-	-	-	-	
9	Recoverable Environmental	25,966	-	25,966	(25,966)	-	-	-	-	-	-	-	
10	Other Operation & Maintenance	303,522	-	303,522	(1,082)	302,440	-	302,440	(13,049)	289,391	0.9812609	283,968	
11	Depreciation & Amortization	142,152	-	142,152	(42,272)	99,880	20,080	119,970	(8,180)	111,820	0.9813351	108,733	
12	Amortization of Investment Credit	(702)	-	(702)	-	(702)	-	(702)	253	(449)	0.9819820	(441)	
13	Taxes Other Than Income Taxes	117,719	-	117,719	(81,411)	36,308	-	36,308	(1,184)	35,124	0.9800137	34,422	
14	Income Taxes												
15	Federal	(27,216)	-	(27,216)	(19,832)	(47,048)	(6,645)	(53,693)	3,789	(49,924)	0.9324938	(46,554)	
16	State	1,444	-	1,444	(3,298)	(1,854)	(1,105)	(2,959)	(171)	(3,130)	0.9324938	(2,919)	
17	Deferred Income Taxes - Net												
18	Federal	103,322	-	103,322	-	103,322	-	103,322	(14,308)	89,014	0.9324938	83,006	
19	State	13,326	-	13,326	-	13,326	-	13,326	(1,581)	11,745	0.9324938	10,952	
20	Total Operating Expenses	1,283,499	-	1,283,499	(777,837)	505,672	12,940	518,612	(34,421)	484,191	0.9763759	472,167	
21	Net Operating Income	199,507	-	199,507	(54,180)	145,317	(12,360)	132,977	(24,413)	108,564	0.9489737	103,024	

Exhibit 3: Capital Structure

Schedule D-1a

COST OF CAPITAL - 13-MONTH AVERAGE

Page 3 of 3

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: Provide the company's 13-month average cost of capital for the test year, the prior year, and historical base year.

Type of Data Shown:

Projected Test Year Ended 12/31/17

Prior Year Ended 12/31/16

Historical Year Ended 12/31/15

Witness: S. D. Ritenour

DOCKET NO.: 160186-EI

(1) Line No.	(2) Class of Capital	(3) Company Total Per Books (\$000s)	(4) Specific Adjustments (\$000s)	(5) Pro Rata Adjustments (\$000s)	(6) Proration Adjustments (\$000s)	(7) System Adjusted (\$000s)	(8) Jurisdictional Factor %	(9) Jurisdictional Capital Structure (\$000s)	(10) Ratio %	(11) Cost Rate %	(12) Weighted Cost Rate %
1	Long-Term Debt	1,336,513	(105,355)	(507,210)	.	723,948	0.9810956	710,262	35.75	4.50	1.61
2	Short-Term Debt	100,537	(33,175)	(27,752)	.	39,610	0.9810956	38,861	1.96	0.42	0.01
3	Preferred Stock	146,504	(11,549)	(56,599)	.	79,356	0.9810956	77,856	3.92	6.15	0.24
4	Common Equity	1,333,098	(96,747)	(509,351)	.	727,000	0.9810956	719,257	35.90	11.00	3.95
5	Customer Deposits	35,612	-	(14,671)	.	20,941	1.0000000	20,941	1.05	2.37	0.02
6	Deferred Income Taxes	841,601	(53,024)	(324,877)	.	463,700	0.9810956	454,934	22.90	0.00	0.00
7	ASC 740 Deferred Taxes	(55,284)	3,483	21,341	.	(30,460)	0.9810956	(29,884)	-1.50	0.00	0.00
8	Investment Credit - Weighted Cost	<u>2,432</u>	<u>(1,660)</u>	<u>(318)</u>	.	<u>454</u>	0.9810956	<u>445</u>	<u>0.02</u>	<u>7.67</u>	<u>0.00</u>
9	Total	<u>3,741,013</u>	<u>(298,027)</u>	<u>(1,418,437)</u>	.	<u>2,024,549</u>		<u>1,986,672</u>	<u>100.00</u>		<u>5.83</u>

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Gulf Power Company.

DOCKET NO. 160186-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.

DOCKET NO. 160170-EI

DATED: JANUARY 13, 2017

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the testimony of Donna D. Brown on behalf of the staff of the Florida Public Service Commission was electronically filed with the Office of Commission Clerk, Florida Public Service Commission, and copies were furnished to the following by electronic mail on this 13th day of January, 2017.

Jeffrey A. Stone
Russell A. Badders
Steven R. Griffin
BEGGS & LANE
P.O. Box 12950
Pensacola, FL 32591
jas@beggslane.com
rab@beggslane.com
srg@beggslane.com

Robert L. McGee, Jr.
GULF POWER COMPANY
One Energy Plaza
Pensacola, FL 32520
rlmcgee@southernco.com

J.R. Kelly
Stephanie A. Morse
OFFICE OF PUBLIC COUNSEL
c/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee FL 32399-1400
Kelly.JR@leg.state.fl.us
Morse.Stephanie@leg.state.fl.us

Bradley Marshall
Alisa Coe
EARTHJUSTICE
111 S. Martin Luther King Jr. Blvd.
Tallahassee, Florida 32301
bmarshall@earthjustice.org
acoe@earthjustice.org

Thomas A. Jernigan
Andrew J. Unsicker, Maj, USAF
Lanny L. Zieman, Capt, USAF
Natalie A. Cepak, Capt, USAF
Ebony M. Payton
FEDERAL EXECUTIVE AGENCIES
AFCEC/JA-ULFSC
139 Barnes Drive, Suite 1
Tyndall Air Force Base, Florida 32403
Thomas.Jernigan.3@us.af.mil
Andrew.Unsicker@us.af.mil
Lanny.Zieman.1@us.af.mil
Natalie.Cepak.2@us.af.mil
Ebony.Payton.ctr@us.af.mil

Jon C. Moyle, Jr.
Karen A. Putnal
MOYLE LAW FIRM, P.A.
118 North Gadsden Street
Tallahassee, Florida 32301
jmoyle@moylelaw.com
kputnal@moylelaw.com

Robert Scheffel Wright
John T. LaVia, III
GARDNER, BIST, BOWDEN, BUSH,
DEE, LAVIA & WRIGHT, P.A.
1300 Thomaswood Drive
Tallahassee, Florida 32308
schef@gbwlegal.com
jlavia@gbwlegal.com

Diana A. Csank
SIERRA CLUB
50 F Street NW, 8TH Floor
Washington, DC 20001
Diana.Csank@sierraclub.org

/s/ Bianca Lherisson

BIANCA LHERISSON
Attorney, Office of the General Counsel
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
Telephone: (850) 413-6234
Email: blheriss@psc.state.fl.us