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Public Service Commission

February 22, 2018

STAFF'S FIRST DATA REQUEST
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Jeffrey A. Stone, Esq.
Vice President, General Counsel & Corporate Secretary
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0100

Re: Docket No. 20180039-EI - Docket to consider Stipulation and Settlement Agreement between Gulf Power Company and Office of Public Counsel, Florida Industrial Power Users Group and the Southern Alliance for Clean Energy regarding Tax Cuts and Jobs Act of 2017.

Dear Mr. Stone:

By this letter the Commission staff requests that Gulf Power Company (Gulf) provide responses to the following data requests:

1. Referring to Paragraph 9 of the 2018 Stipulation and Settlement Agreement (2018 Agreement), please explain how the reduction of $15.6 million for the Environmental Cost Recovery Clause (ECRC) will be annualized.

2. Referring to Paragraph 9 of the 2018 Agreement, please explain what benefit the petition has to the ratepayers as compared to the company filing a true-up in the next ECRC proceedings.

3. Please refer to Attachment A, Page 5. Please explain the significance of the information shown. The proposed monthly bill of $141.81 does not match the bill shown on Attachment B, page 7 of 7 ($131.28).

4. When and how does the Company plan on notifying customers about the proposed rate changes?

5. Referring to page 3 of the 2018 Agreement, please state which day the first billing cycle for April 2018 falls on.

6. Please refer to the 2018 Agreement, Attachment B, page 6 of 7.

   a. The total for "Projected Sales at meter (kWh)" is shown as 10,907,192,000. Is the 2018 Agreement's "Projected Sales at Meter (kWh)" amount sourced from the company forecast that produced the 2018 "Total Sales to Ultimate Customers" appearing in the 2017 Gulf Ten Year Site Plan, Schedule 2.2? If not, please describe the date of the load forecast used as the basis of total "Projected Sales at Meter" for 2018 and identify any other Commission filings inclusive of such forecasts.
   b. Is it correct that all of the rate class level 2018 "Projected Sales at Meter (kWh)" are the energy forecasts identified as" GWH sales" appearing in the 2017 Ten Year Site Plan, Schedule 2.2? If not, please explain the source of these projections.
   c. What is the date of Gulf Power Company's most current load forecast?
   d. When will the next Gulf Power Company load forecast be produced?
   e. Did Gulf use its most recent load forecast to prepare the units appearing in Attachments A and B of the 2018 Agreement? If not, why not?

7. Please refer to the 2018 Agreement, Attachment A, Page 9 through 14 of 32. Explain the method used by the Company to project the number of bills, KWH, and KW by rate schedule as shown in Columns (2) and (6) on these pages, in particular as relates to the Company's rate class level forecasts.

8. Please refer to the 2018 Agreement, Attachment B, Page 6 of 7, Column (F) and Attachment A, Page 9 through 14 of 32 (Column 2). Please reconcile the Projected Sales at Meter by Rate Class in Attachment B with the KWH by rate schedule shown in Attachment A. If a reconciliation cannot be done, please explain why.

9. Starting on page 4, Paragraph 5, of the 2018 Agreement, it states that an amount equal to 1/24th of the $18.2 million base rate reduction will be recorded to a regulatory liability for the month of January 2018, and an amount equal to 1/12th of the $18.2 million will be recorded to the regulatory liability for the month of February 2018, and each month thereafter up to the effective date of new rates outlined in Attachment A. Please describe the rationale of only including half of the annualized impact for the month of January 2018.

10. Paragraph 6 of the 2018 Agreement addresses the excess accumulated deferred income taxes created by the Tax Cuts and Job Act (Act) as regulatory liabilities under certain paragraphs of Accounting Standards Codification (ASC) 740-10. Provision (10) of Rule 25-14.013, F.A.C., entitled Accounting for Deferred Income Taxes under SFAS 109, states: "[w]hen the statutory income tax rate is changed as a result of legislative action after the implementation of SFAS 109, each utility shall adjust its deferred income tax balances to reflect the new statutory income tax rate. The recording of regulatory assets and liabilities for the excess or deficient deferred income taxes, accounting detail and reversal of the excess and deficient deferred income taxes shall comply with subsections (4) through (9) of this rule." The following questions relate to the accounting for the accumulated deferred income tax effects resulting from the Act.

(a) In light of the fact that Statement of Financial Accounting Standards (SFAS) 109 essentially became ASC 740, does the 2018 Agreement comply with provisions (4) through (10) of Rule 25-14.013, F.A.C., entitled Accounting for Deferred Income Taxes under SFAS 109?
(b) If so, please explain in detail how the 2018 Agreement complies with provisions (4) through (10) of Rule 25-14.013, F.A.C.
(c) If not, please explain in detail how the 2018 Agreement does not comply with provisions (4) through (10) of Rule 25-14.013, F.A.C.

11. Please refer to Paragraph 6 of the 2018 Agreement. Please provide the amount and method of determining the excess deferred taxes at December 31, 2017 including a delineation of the protected and unprotected amounts.

12. Please refer to Paragraph 7 of the 2018 Agreement. Please provide the method used to determine the amount $69,407,000 and the assets associated with this amount.

13. On page 4, Paragraph 4, of the 2018 Agreement, it states the annualized impact on Gulf's base rates as a result of the TCJA is a reduction of $18.2 million. Please provide a copy of the calculations used to determine the $18.2 million annualized impact on base rates. Please provide these calculations in Microsoft Excel format, with all formulas and cell references intact.

14. Please provide the December 2017 Earnings Surveillance Report that reflects annualized revenues for the rates that became effective in July 2017.

15. Please provide the December 2017 Earnings Surveillance Report that reflects annualized revenues for the rates that became effective in July 2017, as well as the effects of the Tax Cut and Jobs Act assuming that tax reform had become effective on January 1, 2017.

16. Please refer to Paragraph 10 of the 2018 Agreement. Provide the analysis, including calculations, used to determine that "...returning the full amount of 'unprotected' deferred taxes to customers in 2018, along with the loss of bonus depreciation, will put a strain on Gulf's credit metrics (specifically its Funds From Operations ("FFO") to Debt) over the short and long term.

17. On February 19, 2018, Gulf Power provided an analysis of the base rate impact resulting from the change in the federal income tax rate from 35 percent to 21 percent. This analysis was based on the 2017 projected test year Minimum Filing Requirements (MFRs) used in the Company's recently completed rate case and included recognition of the $56 million rate increase approved as part of the 2017 Comprehensive Settlement Agreement (2017 Agreement). What is the achieved return on equity (ROE) assumed in this analysis?

18. On page 2 of Gulf Power's 2018 Agreement, the Company proposes an $18.2 million base rate reduction to account for the change in the income tax rate from 35 percent to 21 percent. What would the base rate reduction be based on Gulf Power's actual earned ROE in 2017 of 10.77 percent if the ROE assumed in the Company's projected 2017 test year MFR

filing referenced in question 17 is something other than 10.77 percent? Please provide all calculations.

19. On page 6 of Gulf Power's 2018 Agreement, the Company proposes to implement revised Environmental Cost Recovery Clause (ECRC) rates for the remainder of 2018 that reflect a reduction of $15.6 million. What would the reduction in ECRC rates be based on Gulf Power's actual earned ROE in 2017 of 10.77 percent if the ROE assumed in the Company's projected 2017 test year MFR filing referenced in question 17 is something other than 10.77 percent? Please provide all calculations.

20. On page 2 of Gulf Power's 2018 Agreement, it states that the amount of the base rate reduction due to the change in the income tax rate from 35 percent to 21 percent was formulated pursuant to Paragraph 6 of the 2017 Agreement. Paragraph 6 of the 2017 Agreement, specifically with regard to the assumed impact of $1.3 million per each percentage point of change in the income tax rate, provides "In any hearing conducted pursuant to this paragraph, any party may introduce evidence to overcome such assumption, ..." Does the 2018 Agreement still allow for a future review of the amount of tax savings assumed in the 2018 Agreement? If no, why not?

21. On page 10 of the 2018 Agreement, Paragraph 17 states that "Except as expressly amended herein in Paragraph 11, the 2017 Comprehensive Settlement Agreement is not modified by this Agreement." If the 2018 Agreement no longer contemplates an opportunity to review the assumption that $1.3 million per percentage point change in the income tax rate is an appropriate measure of tax savings, how is the removal of the opportunity for a limited proceeding to test this assumption not an additional amendment of the 2017 Agreement approved by the Commission in Order No. PSC-17-0178-S-EI?

Please file all responses electronically no later than Tuesday, February 27, 2018, on the Commission's website at www.floridapsc.com by selecting the Clerk's Office tab and Electronic Filing Web Form. Please contact me at (850) 413-6218 if you have any questions.

Very truly yours,

/s/ Suzanne Brownless

Suzanne Brownless
Special Counsel

cc: Office of Commission Clerk