

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: January 24, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Richards, D. Buys, Cicchetti) *CRB DB MC ALM*
Office of the General Counsel (Schrader) *RS JSC*

RE: Docket No. 20180162-EI – Application for authority to issue and sell securities and to receive common equity contributions during 12 months ending December 31, 2019, pursuant to Chapter 25-8, F.A.C., and Section 366.04, F.S., by Gulf Power Company.

AGENDA: 02/05/19 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On January 7, 2019, Gulf Power Company (Gulf or Company) submitted a petition for modification of the Company's previously approved securities application¹ to reflect the acquisition of the company by NextEra Energy, Inc. (NextEra) and to request an increase in the amount of securities authorized. Gulf was acquired by, and became a wholly-owned subsidiary of, NextEra on January 1, 2019. Gulf will no longer be able to receive equity funds from and/or issue common equity securities to Gulf's former parent, the Southern Company.

¹Order No. PSC-2018-0542-FOF-EI, issued November 19, 2018, in Docket No. 20180162-EI, In re: *Application for authority to issue and sell securities and to receive common equity contributions during 12 months ending December 31, 2019, pursuant to Chapter 25-8, F.A.C. and Section 366.04, F.S. by Gulf Power Company.*

Discussion of Issues

Issue 1: Should Gulf Power Company's petition for modification of the authority to issue and sell securities be approved?

Recommendation: Yes. Gulf Power Company's petition for modification of the authority to issue and sell securities filed on January 7, 2019 should be approved as requested. (Richards)

Staff Analysis: On January 7, 2019, Gulf submitted a petition for modification of the Company's previously approved securities application to reflect the acquisition of the company by NextEra and to request an increase of the amount of securities authorized.

Gulf was acquired by and became a wholly-owned subsidiary of NextEra on January 1, 2019, and will no longer be able to receive equity funds from and/or issue common equity securities to Gulf's former parent, the Southern Company. Gulf requests approval to issue and sell and/or exchange any combination of the long-term debt and equity securities described and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed \$1.2 billion during calendar year 2019. The currently authorized amount of long-term debt and equity securities is \$600 million. Gulf also requests to increase the maximum principal amount of short-term debt previously approved from \$500 million to \$600 million. The net increase in funding from the previously approved securities application is \$600 million in long-term debt and equity securities and \$100 million in short-term debt.

In its petition, Gulf explained the requested modifications are necessary to reflect the new ownership and the anticipated increased issuances of securities required due to the significant storm-related expenses incurred as a result of Hurricane Michael; to fund the cost of the prompt restoration, reconstruction and/or repair of facilities damaged or destroyed during calendar year 2019 due to the occurrence of any man-made or natural disaster or event or otherwise.

Staff has reviewed Gulf's projected capital expenditures. The amount of long-term securities requested (\$1.2 billion) exceeds Gulf's expected capital expenditures (\$262.8 million). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regard to unexpected events such as hurricanes, financial market disruptions and other unforeseen circumstances.

In connection with this security application, Gulf confirms that the capital raised pursuant to this authority will be used in connection with the regulated activities of Gulf and its affiliates, and not the non-regulated activities of its affiliates. Staff believes the requested amounts are appropriate and recommends Gulf's petition to issue securities be modified as requested.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open until Gulf Power Company has filed the required Consummation Report. (Schrader)

Staff Analysis: For monitoring purposes, this docket should remain open until May 1, 2020, to allow Gulf Power Company time to file the required Consummation Report.