

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for authority to issue and sell securities during calendar year 2020, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Gulf Power Company.

DOCKET NO. 20190158-EI
ORDER NO. PSC-2019-0473-FOF-EI
ISSUED: November 6, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

FINAL ORDER APPROVING GULF POWER COMPANY'S APPLICATION FOR
AUTHORITY TO ISSUE AND SELL SECURITIES

BY THE COMMISSION:

On August 14, 2019, Gulf Power Company (Gulf) filed an application for authority to issue and sell securities during calendar year 2020, pursuant to Section 366.04, Florida Statutes (F.S.), and Chapter 25-8, Florida Administrative Code (F.A.C.). Notice of Gulf's application was given in the Florida Administrative Register on September 23, 2019.

I. Proposed Transactions

Gulf seeks authority to issue and sell and/or exchange any combination of the long-term debt and equity securities described below and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed \$1.5 billion during calendar year 2020. In addition, Gulf seeks permission to issue and sell short-term securities during the calendar year 2020 in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed \$800 million.

Gulf advises that long-term debt securities may include first mortgage bonds, medium-term notes, extendible commercial notes, debentures, convertible or exchangeable debentures, notes, convertible or exchangeable notes or other similar rights exercisable for or convertible into debt securities, or other straight debt or hybrid debt securities, whether subordinated or unsubordinated, secured or unsecured, including renewals and extensions thereof, with maturities ranging from one to one hundred years. Gulf may issue long-term debt securities by extending the maturity of short-term securities. Gulf may enter into warrants, options, rights, interest rate

swaps, currency swaps or other derivative instruments, or other arrangements. Gulf may also enter into debt purchase contracts, obligating holders to purchase from Gulf, and obligating Gulf to sell, debt securities at a future date or dates.

In addition, Gulf may enter into forward refunding or forward swap contracts during calendar year 2020. In conjunction with these forward contracts, Gulf may issue and sell long-term debt through December 31, 2020, which Gulf may commit to deliver under these forward contracts. Moreover, Gulf may enter into installment purchase and security agreements, loan agreements, or other arrangements with political subdivisions of the States of Florida, Mississippi, Georgia or other states, if any, where Gulf becomes qualified to do business, and/or pledge debt securities and/or issue guaranties in connection with such political subdivisions' issuance, for the ultimate benefit of Gulf, of pollution control revenue bonds, solid waste disposal revenue bonds or similar bonds issued by certain political subdivisions of the States of Florida, Mississippi and Georgia (such bonds collectively referred to as Revenue Bonds) or other "private activity bonds" with maturities ranging from one to one hundred years, bond anticipation notes or commercial paper. Such obligations may or may not bear interest exempt from federal, state or local tax. Gulf has agreed in the past, and may in the future be required or permitted, to provide credit enhancement for the payment of principal and interest on such obligations, including through letters of credit. In the event that Gulf provides such security, in order to avoid double-counting, Gulf states that it would only count the total amount of its Revenue Bonds or other "private activity bonds," and would not count any credit enhancement provided in accordance with applicable bond documents.

Contemplated to be included as long-term or short-term debt securities, as appropriate, are borrowings from banks and other lenders, and obligations pursuant to issuances of letters of credit, obtained under Gulf's various credit facilities and other loan agreements, as those may be entered into and amended from time to time. Also contemplated to be included as long-term or short-term debt securities, as appropriate, are borrowings from banks and other lenders, and obligations pursuant to issuances of letters of credit, obtained under credit facilities and other loan agreements or other arrangements, as those may be entered into and amended from time to time by one or more wholly-owned, special purpose subsidiaries of Gulf, with the proceeds of such borrowings to be used solely for the benefit of Gulf's regulated utility operations and/or Gulf's customers. In furtherance of the foregoing:

- On June 24, 2019, Gulf entered into a syndicated revolving credit and letter of credit agreement (referred to as the 2019 Revolving Credit Agreement), which provides for \$900 million in commitments and has an expiration date of February 8, 2024. Borrowings and letter of credit issuances under the 2019 Revolving Credit Agreement are available for general corporate purposes of Gulf, including, without limitation, to pay any interest or fees owing under that agreement, provide backup for Gulf's self-insurance program covering its and its subsidiaries operating facilities, and fund the cost of the prompt restoration, reconstruction and/or repair of such facilities that may be damaged or destroyed due to the occurrence of any man-made or natural disaster or event or otherwise. Borrowings and/or letter of credit issuances available to Gulf under the 2019

Revolving Credit Agreement also can be used to support the purchase of Revenue Bonds that are tendered by individual bond holders and not remarketed prior to maturity.

- On June 6, 2019, Gulf entered into a revolving credit agreement with a commercial bank, which provides for a \$100 million commitment and has a maturity date of November 30, 2019.
- On June 6, 2019, Gulf entered into a revolving credit agreement with a commercial bank, which provides for a \$100 million commitment and has a maturity date of November 30, 2019.

Additionally, debt securities may be issued by Gulf or its affiliates in connection with one or more facilities secured by accounts receivable or involving the sale of accounts receivable or interests therein to be used solely for the benefit of Gulf's regulated utility operations.

According to Gulf, equity securities that it may issue include preferred stock, convertible preferred stock, or warrants, options or rights to acquire such securities, or other similar rights exercisable for or convertible into preferred stock, or purchase contracts obligating holders to purchase such securities, or other equity securities, with such par values, terms and conditions and relative rights and preferences as deemed appropriate by Gulf and as are permitted by its First Amended and Restated Articles of Incorporation, and as the same may be amended from time to time.

Gulf states that it may also enter into financings, whereby Gulf would establish and make an equity investment in one or more special purpose limited partnerships, limited liability companies, statutory trusts or other entities. Gulf, or a wholly-owned subsidiary of NextEra Energy, Inc. (NEE), would act as or appoint the general partner, managing member, sponsor or other members of each such entity. The entity would offer preferred or debt securities to the public and use the proceeds to acquire debt securities from Gulf. Gulf would issue debt securities to the entity equal to the aggregate of Gulf's equity investment and the amount of preferred or debt securities sold to the public by the entity. Gulf may also guarantee, among other things, the distributions to be paid by the affiliated entity to the preferred or debt securities holders. Payments by Gulf on the debt securities sold to the entity would be used by that entity to make payments on the preferred or debt securities as well as on Gulf's equity investment. Consequently, in the event of such a financing, to avoid double-counting, Gulf would only count the total amount of its debt securities issued to the entity, and would not count the equity securities issued by the entity to Gulf, the preferred or debt securities issued by the entity to the public, or the related Gulf guaranties with respect to such preferred or debt securities issued by the entity to the public, against the total amount of proposed long-term debt and equity securities.

In connection with the issuance (i) by Gulf of long-term or short-term debt securities or preferred stock or (ii) by an affiliated entity of preferred or debt securities, the terms of which preferred or debt securities or stock permit Gulf or the affiliated entity (as applicable) to defer principal, interest or other distributions for certain payment periods, Gulf may agree to sell additional equity securities and/or long-term or short-term debt securities and to use the proceeds

from the sale of those other securities to make principal, interest or other distributions on such preferred or debt securities or stock as to which such principal, interest or other distributions have been deferred. In addition, in connection with the issuance (i) by Gulf of long-term or short-term debt securities or preferred stock or (ii) by an affiliated entity of preferred or debt securities, Gulf may covenant, pledge or make other commitments in favor of holders of such new stock or preferred or debt securities or the holders of previously-issued stock or preferred or debt securities, providing that such stock or preferred or debt securities will not be acquired (by redemption, purchase, exchange or otherwise), or otherwise satisfied, discharged or defeased, in certain circumstances unless such acquisition (by redemption, purchase, exchange or otherwise), satisfaction, discharge or defeasance is accomplished by (1) the issuance of, or (2) proceeds from the issuance of, a security or securities satisfying the provisions set forth in such covenant, pledge or other commitment.

The exchange of Gulf's securities may be by way of an exchange of a security of Gulf for another security or securities of Gulf or of one of its affiliates, or the exchange of a security of Gulf or of one of its affiliates for the security or securities of another entity.

The manner of issuance and sale and/or exchange of securities will be dependent upon the type of security being offered, the type of transaction in which the securities are being issued and sold and/or exchanged and market conditions at the time of the issuance and sale and/or exchange.

Gulf also states that the short-term securities will have maturities of not more than twelve months and may be secured or unsecured, subordinated or unsubordinated. Gulf may enter into warrants, options, rights, interest rate swaps, currency swaps or other derivative instruments, refunding transactions or other arrangements relating to, as well as contracts for the purchase or sale of, short-term securities. Consistent with Securities and Exchange Commission "no-action" letters, Gulf may issue and sell commercial paper without compliance with the registration requirements of the Securities Act of 1933, as amended, subject to certain conditions.

Gulf states that the short-term securities are issued to provide funds to temporarily finance portions of Gulf's construction program and capital commitments and for other corporate purposes. Also, for the 2020 period, Gulf also states that it may need short-term financing for, among other purposes, seasonal fuel requirements, for contingency financing such as fuel adjustment under-recoveries or storm restoration costs, and for the temporary funding of maturing or called long-term debt or equity securities.

The interest rate that Gulf could pay on debt securities will vary depending on the type of debt instruments and the terms thereof, including specifically the tenor (i.e., the term) of the debt and whether the debt is secured or unsecured and subordinated or unsubordinated, as well as market conditions. Based upon current rates for comparable 30-year senior notes, it is estimated that an issuance of new debt securities as of June 30, 2019, would have carried an interest rate of approximately 3.66%. The dividend rate for preferred stock is similarly affected by the terms of the offering. It is estimated that a new issue of Gulf preferred stock as of June 30, 2019, would

have carried a dividend yield of approximately 4.875% to 5.375%. The actual interest rates and dividend rates will be determined by market conditions at the time of the sale of the securities.

In addition, Gulf states that it may, from time to time, issue instruments of guaranty, collateralize debt and other obligations, issue other securities, and arrange for the issuance of letters of credit and guaranties, in any such case to be issued or arranged (i) by Gulf or by one or more of its affiliates for the benefit of Gulf's regulated utility operations. Gulf confirms that any such issuances described above will be used in connection with the regulated activities of Gulf, and not the nonregulated activities of its affiliates.

Gulf will file a consummation report with this Commission in compliance with Rule 25-8.009, F.A.C., within 90 days after the end of any fiscal year in which it issues securities.

II. Purposes of Issues

According to the Gulf, it expects that the net proceeds to be received from the issuance and sale and/or exchange (if there are any net proceeds from an exchange) of the additional long-term debt and equity securities (with the exception of the proceeds of the issuance and sale of any Revenue Bonds or other "private activity bonds" (whether structured as variable rate demand notes or otherwise) or similar securities which will be used for specific purposes) will be added to Gulf's general funds and will be used to finance the acquisition or construction of additional regulated utility facilities and equipment, as well as capital improvements to and maintenance of existing facilities; to acquire (by redemption, purchase, exchange or otherwise), or to otherwise satisfy, discharge or defease, any of its outstanding debt securities or equity securities; to repay all or a portion of any maturing long-term debt obligations; to satisfy Gulf's obligations under guaranties; to repay all or a portion of short-term bank borrowings, commercial paper and other short-term debt outstanding at the time of such transactions, and/or for other corporate purposes. Proceeds, if any, may be temporarily invested in short-term instruments pending their application to the foregoing purposes.

Gulf maintains a continuous construction program, principally for electric generation, transmission, and distribution facilities. As of June 30, 2019, Gulf estimated its capital expenditures under its 2020 construction program to be approximately \$1.0 billion (as more fully described in Exhibit B of Gulf's application).

Gulf states that, at present, none of the planned expenditures in 2020 require certification of need by this Commission under the Florida Electrical Power Plant Siting Act or the Transmission Line Siting Act. Gulf's long-range construction program is subject to periodic review and revision. The construction program referred to herein has been necessitated by continued growth in the demand for service on Gulf's system and the replacement and improvements required to its existing system. Gulf maintains that it is manifestly in the public interest for Gulf to raise the funds which are required to perform such service.

Under future market conditions, the interest rate on new issue long-term debt or the dividend rate on new issue preferred stock of Gulf may be such that it becomes economically

attractive to acquire (by redemption, purchase, exchange or otherwise), or otherwise satisfy, discharge or defease, a portion or all of certain of its long-term debt securities or equity securities, providing an opportunity for Gulf to reduce interest or dividend expense even after accounting for such other considerations as the (i) redemption or other reacquisition premium, (ii) other associated reacquisition or discharge expenses and (iii) related income tax effects. This reduction would be beneficial to Gulf's customers and, with proper regulatory treatment, would not be detrimental to Gulf's common shareholder. Other important considerations in making such a decision would include an assessment of anticipated future interest and dividend rates and Gulf's ability to raise enough new capital to finance its construction program while concurrently pursuing any refinancing opportunities. Gulf might also consider acquiring or otherwise satisfying, discharging or defeasing a portion or all of certain of its long-term debt securities or equity securities for reasons other than interest or dividend expense reduction.

Under future market conditions, it may be economical to enter into forward refunding or forward swap contracts. The forward refunding contracts would be for the purpose of refunding long-term debt (including but not limited to refunding Revenue Bonds) which may be issued on Gulf's behalf and which can be callable. Under federal tax law, the refunding of Revenue Bonds with tax-exempt bonds issued more than 90 days prior to the redemption or retirement of the outstanding issue is heavily restricted. However, through a forward refunding contract, Gulf could lock-in prevailing tax-exempt fixed rates for refunding Revenue Bonds which would be issued 90 days prior to a call date of the outstanding issue. Alternatively, Gulf could enter into a forward swap contract, to become effective on a call date of the outstanding issue, to lock-in prevailing tax-exempt fixed rates. Any anticipated savings generated by such forward transactions would be spread over the combined life of the outstanding bonds and the refunding bonds starting with the execution of the forward contract.

In connection with its application, Gulf confirms that the capital raised pursuant to this Application will be used in connection with the regulated activities of Gulf and Gulf's affiliates, and not the nonregulated activities of its affiliates.

III. Conclusion

Having reviewed the application, it is the finding of this Commission that the transactions described in the application will not impair the ability of Gulf to perform the services of a public utility. These transactions are for such lawful purposes within Gulf's corporate powers and, as such, the application is granted.

Our approval of the proposed issuance of securities by Gulf does not indicate specific approval of any rates, terms, or conditions associated with the issuance. Such matters are properly reserved for review by this Commission within the context of a rate proceeding.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application by Gulf Power Company to issue and sell securities pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code, is granted as set forth herein. It is further

ORDERED that Gulf's request to issue and sell and/or exchange any combination of long-term debt and equities and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed \$1.5 billion during the calendar year 2020 is granted. It is further

ORDERED that Gulf's request to issue and sell short-term securities in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed \$800 million during the calendar year 2020 is granted. It is further

ORDERED that Gulf shall file a Consummation Report in accordance with Rule 25-8.009, F.A.C., within 90 days after the end of any fiscal year in which it issues securities. It is further

ORDERED that this docket shall remain open to monitor the issuance and/or sale of securities until Gulf submits, and Commission staff has reviewed, the Consummation Report, at which time it shall be closed administratively.

By ORDER of the Florida Public Service Commission this 6th day of November, 2019.



ADAM J. TEITZMAN
Commission Clerk
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.