



Florida Public Service Commission **SPECIAL REPORT**

MAY 2006 NO. 4

Petition for Issuance of a Storm Recovery Financing Order by **Gulf Power Company**

DOCKET NO. 060154-EI

In February 2006, Gulf Power Company (Gulf Power or the Company) filed a petition with the Florida Public Service Commission (PSC or Commission) for approval of a Storm Charge to recover prudently incurred storm restoration costs and to replenish the company's Storm Damage Reserve. Gulf Power, a wholly-owned subsidiary of The Southern Company, provides electricity throughout Northwest Florida to more than 365,000 retail customers west of the Apalachicola River.

The PSC has scheduled three customer service hearings May 17, 18, and 23, 2006 to receive customer testimony regarding the utility's petition to implement a Storm Charge and to receive comments on the utility's recovery efforts for each hurricane event. In accordance with Florida Statutes, the PSC will consider the utility's quality of service and other matters in this case.

In 2004 and 2005, Gulf Power and its customers were subjected to extremely destructive hurricane seasons. Hurricanes Ivan, Dennis, and Katrina impacted some of the most densely populated areas in Gulf Power's service territory. For 2005, the total storm related damages to date are currently estimated by Gulf Power to be \$63.6 million. The company expects to receive an insurance reimbursement of \$1 million for damage to generation assets. The company also expects to offset these amounts with certain voluntary exclusions, leaving the net amount charged to the Storm Damage Reserve associated with the 2005 storm season to be \$53.3 million.

In the instant petition, Gulf Power requests the Commission issue a Financing Order and approve the issuance of storm-recovery bonds in the amount of up to \$87.2 million. The proceeds of the bonds are intended to provide Gulf Power recovery of the remaining unrecovered balance of 2004 storm costs,

recovery of the 2005 prudently incurred storm costs, replenishment of the Storm Damage Reserve to a level of approximately \$70 million, and recovery of interest incurred through the bond issuance date and up-front bond issuance costs. The bonds will be issued for the after-tax value of storm restoration costs to recognize the tax benefit received when storm restoration costs are deducted for income tax purposes. An issuance of storm-recovery bonds as proposed by Gulf Power is expected to result in a monthly charge of \$1.93 for the typical residential bill (1,000 kWh) over a period of approximately eight years, which will replace the 2004 Ivan Storm Restoration Surcharge of approximately \$2.57 for the typical residential monthly bill.

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Customer Service Hearings

Wednesday, May 17, 2006

6:00 p.m. – 9:00 p.m. (Central Time)
University of West Florida
University Commons Auditorium
(Building 22)
11000 University Parkway
Pensacola, Florida

Thursday, May 18, 2006

10:00 a.m. – 1:00 p.m. (Central Time)
University of West Florida
University Commons Auditorium
(Building 22)
11000 University Parkway
Pensacola, Florida

Tuesday, May 23, 2006

10:00 a.m. - 1:00 p.m. (Central Time)
Panama City Commission Meeting Room
9 Harrison Avenue
Panama City, Florida

P S C C O M M I S S I O N E R S



COMMISSIONER
Matthew M. Carter II



COMMISSIONER
J. Terry Deason



CHAIRMAN
Lisa Polak Edgar



COMMISSIONER
Isilio Arriaga



COMMISSIONER
Katrina J. Tew

Lisa Polak Edgar was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2005; she assumed the chairmanship at the PSC in January 2006. Chairman Edgar is a member of the National Association of Regulatory Utility Commissioners telecommunications committee and was appointed by the Federal Communications Commission to the Universal Service Joint Board for a three-year term beginning November 2005. Prior to her appointment, Chairman Edgar served as Deputy Secretary for Planning and Management for the Florida Department of Environmental Protection (DEP) from August 1999 through January 2005. Her responsibilities at DEP included oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, and coordination between the state and federal government on environmental issues, including oil and gas drilling on the Outer Continental Shelf. Prior to serving at DEP, Chairman Edgar was chief analyst on Environmental Policy for the Office of Policy and Budget, Executive Office of the Governor. Chairman Edgar was appointed by the Secretary of the U.S. Department of Interior to represent the State of Florida on the Minerals Management Service Outer Continental Shelf (OCS) Policy Committee from 1993-2004. She served on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. During her career in public service, Chairman Edgar has also served as senior cabinet aide in the Department of Agriculture and Consumer Services, as staff counsel and legislative analyst for the Florida Senate Committees on Reapportionment and Regulated Industries, completed the Harvard Kennedy School of Government program for Senior Executives in State and Local Government, and co-taught a special topics graduate course on the Everglades at Florida A&M University. She is a member of Leadership Florida, Class XXIV. Chairman Edgar graduated cum laude from Florida State University in 1985 with a Bachelor's degree in political science and minor in English. She studied in London during her undergraduate education and in Yugoslavia during law school. She received a juris doctorate from the Florida State University College of Law in 1988 and is a member of the Florida Bar.

J. Terry Deason was first appointed to the Commission by the Florida Public Service Commission Nominating Council in January 1991 for a term ending in January 1995. He was subsequently reappointed by the late Governor Lawton Chiles for a term ending in January 1999. Commissioner Deason was then reappointed by Governor Jeb Bush to a term ending in January 2003, and to his current term which ends in January 2007. Commissioner Deason has served as Chairman of the Commission on two occasions, from January 1993 to January 1995, and from July 2000 to January 2001. Commissioner Deason is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, Committee on Electricity, the Federal/State Joint Conference on Accounting, and the Federal/State Joint Board on Economic Dispatch for the Southern Region. Commissioner Deason also serves on the executive committee for the Nuclear Waste Strategy Coalition. Prior to his appointment, he served as Chief Regulatory Analyst in the Office of Public Counsel. In that capacity, he was responsible for the coordination of accounting and financial analysis used by the Public Counsel in cases before the Public Service Commission, presented testimony as an expert witness, and consulted with the Public Counsel on technical issues and ratemaking policies concerning regulated utilities in the State of Florida. From 1981 to 1987, Commissioner Deason served as Executive Assistant to PSC Commissioner Gerald L. Gunter, during which time he reviewed and analyzed staff recommendations and advised the Commissioner on those recommendations and other pertinent policy determinations. From 1977 to 1981, he served as a Legislative Analyst with the Office of Public Counsel. He attended the U.S. Military Academy at West Point, and in 1975 received his bachelor of science degree in accounting, summa cum laude, from Florida State University. He also received his master of accounting degree from FSU in 1989.

Isilio Arriaga was appointed to the Florida Public Service Commission by Governor Jeb Bush on October 6, 2005, to complete a term ending January 2007. Prior to his appointment, Commissioner Arriaga was an independent management consultant for Ferrell Schultz Consulting, Inc. in Miami, Florida. Previously, he served as President and CEO of the Greater Miami Chamber of Commerce, where he continues as a Volunteer Trustee, and was active on the Board of Directors of the Venezuelan-American Chamber and the Council of Bi-National Chambers. Before his tenure with the Chamber, he was President and CEO of Hispanic Unity of Florida, a growing social services agency assisting over 30,000 clients in South Florida and whose mission is improving the quality of life and fostering leadership in the community. Arriaga served as a Congressman in the Republic of Venezuela from 1988 until 1993, where he co-sponsored the first Privatization Law in the nation and helped enact the Low Income Housing Appropriations legislation. During that time, he was a founding member of the World Economic Forum in Switzerland and was appointed to the committee created upon recommendation by the IMF for the purpose of reforming the financial system of Venezuela. His career in Venezuela began in the oil fields as a Junior Engineer for Shell Oil Co. He went on to create the Planning Office and Long Term Industrial Loans Department for Banco Union, where he served as General Manager for Investments. Following his public service and while residing in Texas, he formed an international consulting firm and worked with U.S. entities, promoting new business development as a strong advocate for U.S. enterprises in Latin America. He served as a consultant in Miami responsible for the reengineering process of a corporation which pioneered digital functions for ATM networks. Arriaga, 57, received a Master's degree in Industrial Engineering from New York University and holds a Bachelor's degree from Pratt Institute (NY). He has published numerous articles and essays on economics and was a syndicated columnist in Venezuela.

Commissioner Matthew Mark Carter II is the son of the late Rev. Matthew and Pearl Carter. He was born in Douglas, Georgia and educated in the public schools there. He graduated from Atkinson County High School (in Pearson). After graduation from high school, he volunteered for the United States Army. In the Army, he served in the Presidential Honor Guard in Washington, D.C. and the First Armored Division in Germany. After being honorably discharged from the Army, Commissioner Carter attended Tallahassee Community College where he graduated with honors. He then attended Florida State University and graduated with a Bachelor's of Science in Mass Communications and was commissioned a Second Lieutenant in the United States Army Reserve and later the Florida National Guard. After a tour of duty with the 124th Infantry in the Panama Canal Zone, Commissioner Carter returned to Tallahassee where he set up a public relations firm concentrating on political campaigns for over ten years. Afterward, he entered into the financial investment industry and worked as a financial consultant for Waddell & Reed, Florida Professional Services Group, and Merrill Lynch. Commissioner Carter left Merrill Lynch to complete law school at the Florida State University College of Law. After graduation, he became a member of the Florida Bar and a Minister of the Gospel of Jesus Christ. As an attorney, he specialized in business law. He also served as a communications consultant and senior manager for private industry and governmental agencies. Florida Governor Jeb Bush appointed Matthew M. Carter II to the Florida Public Service Commission for a term of four years beginning January 2006. Commissioner Carter was awarded an honorary Doctor of Divinity degree from the St. Thomas Christian College. Commissioner Carter is currently pastor of the Beulah Hill Missionary Baptist Church in Gretna, Florida, where he also serves as President of the Congress of Christian Education (Union Baptist Association) and Vice Moderator for the Gadsden County Baptist Association. He has also written the book *The 90% Rule – How to Get Out of Debt and Prosper and Why It's Important*. Commissioner Carter is married to the former Rita Taylor (of Enigma, Georgia) and they have two beautiful daughters: Pearl and Markesha.

Commissioner Katrina J. Tew was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006. Ms. Tew has extensive experience in regulatory policy issues involving energy, water, and telecommunications. From 2001 to 2005, Ms. Tew served consecutive terms as Chief Advisor to two different Florida Public Service Commissioners: Charles M. Davidson and Michael A. Palecki. In this role, she advised commissioners on all proceedings and policy matters before the Commission. Prior to becoming a Chief Advisor, Ms. Tew managed the State Liaison Section of the Commission's Division of Policy Analysis & Intergovernmental Liaison. Here, she consulted with state and local government agencies on issues of common interest, such as "black water," reuse, universal service, and electric reliability. Before leading the State Liaison Section, Ms. Tew served as the Commission's primary liaison on all nuclear energy matters for over three years. Additionally, Ms. Tew was instrumental in drafting the Commission's positions on electric industry restructuring. In recognition of her work on federal energy policy, Ms. Tew was a recipient of the PSC Extraordinary Accomplishment Award in 1999 and the PSC Outstanding Achievement Award in 1997. Since 2001, Ms. Tew has also been involved in policy formulation related to a multitude of communications matters. This has afforded her the opportunity to develop a fluency in issues of advanced communications, especially those surrounding broadband, wireless, VoIP, and broadband over power lines. A Northwest Florida native, Ms. Tew received a Bachelor's degree in finance from Florida State University. She received a Master of Business Administration degree from FSU in 1998.

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In the event the Commission determines that Gulf Power should not issue bonds to recover the deficit in the Storm Damage Reserve and replenish the Reserve, the Company requests the Commission approve an alternative method of recovering storm-recovery costs and replenishing the Reserve through two new storm surcharges.

Under this alternative proposal, a new surcharge (2005 Surcharge) would be implemented beginning in August 2006, to recover prudently incurred storm damage restoration costs associated with the 2005 storm season. The existing 2004 Ivan Surcharge would remain in effect through March 2007. A second new surcharge (Reserve Surcharge) would be implemented beginning in April 2007 (immediately following the conclusion of the Ivan Surcharge) and continuing for 36 months for the purpose of contributing \$70 million to the Storm Damage Reserve.

The tables below detail the monthly impact (1,000 kWh residential bill) of the current surcharge and Gulf Power's primary and alternative requests.

The technical portion of the administrative hearing is scheduled for May 31 and June 1 and 2 in Tallahassee. A technical hearing is a legal proceeding, similar to a court proceeding or trial, that is held to gather technical evidence and testimony related to the utility's petition. In making its final determination, the Commission will consider the evidence and testimony presented by both customers and other parties. PSC staff is scheduled to file a recommendation with the Commission on June 13, 2006. The Commissioners are expected to vote on this matter at the June 20, 2006, Agenda Conference.

**Consumer
Statements
at PSC Hearings**

The Commission is interested in what consumers have to say about the petition for issuance of a storm recovery financing order by Gulf Power Company. The main purpose of the hearings is to receive comments from the public.

Anyone may make a statement, and speaking is an effective way to let the Commission know how you feel about the case under review. At the beginning of the hearing, procedures will be set up to establish an order for comments. PSC staff will have sign-up sheets that will be used to call consumers to speak. PSC staff will also be available to coordinate consumer comments and assist members of the public.

Any person who wishes to comment or provide information to the PSC staff regarding this matter may do so at the hearings, orally or in writing. Written comments also may be mailed to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or faxed to 1-800-511-0809. Correspondence will be placed in the file of this docket (Docket No. 060154-EI). For your convenience, a comment form is attached to this Special Report.

Any person who wishes to obtain a copy of the recommendation or the order may do so by writing to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or by going on-line at www.floridapsc.com.

Gulf Request	Recovery Method	Residential Bill Surcharge per 1,000 kWh	Duration
Current	Ivan Surcharge	\$2.71	April 2005 - March 2006
	Ivan Surcharge	\$2.57	April 2006 - March 2007

Gulf Request	Recovery Method	Residential Bill Surcharge per 1,000 kWh	Duration
Primary	Securitization	\$1.93	Approximately 8 Years

Gulf Request	Recovery Method	Residential Bill Surcharge per 1,000 kWh	Duration
Alternative	Ivan Surcharge	\$2.57	April 2006 - July 2006
	Ivan & 2005 Surcharges	\$5.35	August 2006 - March 2007
	2005 & Reserve Surcharges	\$5.03	April 2007 - July 2008
	Reserve Surcharge	\$2.25	August 2008 - March 2010

PSC Staff and Reference Numbers

For technical questions, contact:

Andrew Maurey (850) 413-6465

For legal questions, contact:

Jennifer Brubaker (850) 413-6228

For general questions, contact:

Dick Durbin (850) 413-6121

Or call toll-free 1-800-342-3552

(1-800-511-0809 to fax)

E-mail: contact@psc.state.fl.us

Internet Home Page: www.floridapsc.com

**Florida
Public Service Commission**

2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The Public Service Commission provides a staff of information specialists who are available to answer questions from Florida consumers.

To reach a consumer representative, please call the Public Service Commission during business hours at **1-800-342-3552**, or send a fax to 1-800-511-0809. See the PSC's Internet home page at www.floridapsc.com.

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Florida Public Service Commission
Division of the Commission Clerk and Administrative Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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