

State of Florida



Public Service Commission

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COMMISSION
CLERK

DATE: December 30, 2011
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Jennifer S. Crawford, Attorney Supervisor, Office of the General Counsel
RE: Docket No. 110138-EI – In re: Petition for increase in rates by Gulf Power Company.

Attached please find a copy of Document Number 09010-11, Motion for Approval of Partial Settlement Agreements, filed December 16, 2011, in Docket No. 110138-EI. Pursuant to discussion held at the hearing in this docket on November 15, 2011, I am requesting that the Motion be placed on the agenda for consideration at the January 10, 2012, Commission Conference.

DOCUMENT NUMBER DATE

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by Gulf
Power Company.

DOCKET NO. 110138-EI

MOTION FOR APPROVAL OF PARTIAL SETTLEMENT AGREEMENTS

Gulf Power Company, through its undersigned counsel, on behalf of itself and the other respective signatories to the STIPULATION AND AGREEMENT REGARDING SETTLEMENT OF CERTAIN REVENUE ISSUES and the STIPULATION AND AGREEMENT REGARDING SETTLEMENT OF CERTAIN COST OF SERVICE AND RATE DESIGN ISSUES attached to this motion (collectively the "Partial Settlement Agreements"), hereby requests that the Florida Public Service Commission enter an order accepting and approving the Partial Settlement Agreements together as a package.

The attached agreements memorialize the terms of the proposed disposition of certain issues that were presented and discussed at the conclusion of the evidentiary hearing in this docket. Each of the agreements recites that it is contingent on the Commission's approval of both. However, the attachments constitute separate agreements, and the signatories to the agreements are not identical. The Office of Public Counsel and the Florida Retail Federation, signatories to the settlement agreement on revenue issues, are not signatories to the settlement of cost of service and rate design issues, and take no position on the proposed settlement of cost of service and rate design issues.

Gulf is authorized to represent that each of the Partial Settlement Agreements fairly and reasonably balance the respective positions of the signatories thereto. Approval of these stipulations together as a package is fully consistent with and supportive of the Commission's long standing policy of encouraging the settlement of contested matters in a manner that benefits the ratepayers of utilities subject to the Commission's regulatory jurisdiction and thereby avoids the need for costly, time-consuming and inefficient litigation of issues before the Commission. The signatories have each authorized Gulf to acknowledge on their behalf that the Commission's approval of the Partial Settlement Agreements creates no precedent for future proceedings.

WHEREFORE, Gulf Power Company respectfully requests that the Commission undertake its review of the attached agreements and enter an order accepting and approving the Partial Settlement Agreements together as a package at the earliest practicable date in order to

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allow for the orderly implementation of the agreements and to provide certainty to the signatories to the respective agreements and their respective constituents and customers with respect to the outcome of these proceedings.

Respectfully submitted this 16th day of December, 2011.



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by Gulf
Power Company.

DOCKET NO. 110138-EI

Filed: December 16, 2011

**STIPULATION AND AGREEMENT REGARDING SETTLEMENT OF CERTAIN
REVENUE ISSUES**

The Florida Industrial Power Users Group ("FIPUG"), the Federal Executive Agencies ("FEA"), Gulf Power Company ("Gulf Power", "Gulf", or "the Company"), the Florida Retail Federation ("FRF") and the Citizens of the State of Florida, through the Office of Public Counsel ("OPC"), through their respective undersigned counsel, hereby request the Florida Public Service Commission to enter an order accepting and approving this settlement agreement regarding certain revenue issues, identified in Prehearing Order No. PSC-11-0564-PHO-EI as Issues 11, 62, 63, and 80, as a partial settlement of the issues in this docket. FIPUG, FEA, OPC, FRF and Gulf represent that this partial settlement agreement fairly and reasonably balances their respective positions as stated in the Prehearing Order No. PSC-11-0564-PHO-EI and serves the best interests of the customers they represent and the public interest in general.

AGREEMENT

WHEREAS Prehearing Order No. PSC-11-0564-PHO-EI identifies, among others, Issue Nos. 11, 62, 63, and 80 as disputed issues in this docket that the Florida Public Service Commission must consider and resolve in its disposition of Docket No. 110138-EI;

WHEREAS FIPUG, FEA, Gulf, FRF and OPC agree that in order to resolve Issue Nos. 11, 62, 63, and 80, each of them is willing to accept the outcome on the collective body of issues as set forth in the body of this partial settlement agreement;

WHEREAS FIPUG, FEA, Gulf, FRF and OPC agree that the resolution of these issues is the result of a negotiated compromise between them and shall not constitute precedent in any future regulatory proceeding involving another utility and any of the signatories to this agreement;

WHEREAS FIPUG, FEA, Gulf, FRF and OPC agree that, the proposed resolution of the issues enumerated herein is contingent upon the Commission's acceptance and approval of a

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contemporaneous settlement agreement of cost of service and rate design issues designated in Prehearing Order No. PSC-11-0564-PHO-EI as Issue Nos. 106, 107, and 108, between and among Gulf, FIPUG, and FEA, in which OPC and FRF are not involved and with respect to which OPC and FRF take no position; and

WHEREAS FIPUG, FEA, Gulf, FRF and OPC agree that the relief requested in this agreement is a reasonable resolution of the issues identified herein;

NOW THEREFORE, based on the foregoing recitals and discussions, FIPUG, FEA, Gulf, FRF and OPC agree that:

1. The enumerated issues covered by this agreement addressing revenue issues are Issues 11, 62, 63 and 80 as set forth in Order No. PSC-11-0564-PHO-EI. OPC, FIPUG, FRF and FEA have taken no position on Issue 11. OPC has taken no position on Issue 62. All signatories to this agreement have taken positions on Issues 63 and 80.

2. Each of the enumerated revenue issues identified herein shall be resolved by the Commission's acceptance and approval of a reduction to Gulf's O&M expense for the 2012 test year of \$675,000 in return for the agreement to drop Issues 11, 62, 63 and 80 from further consideration in this case. No further disallowances related to the dropped issues will be allowed.

3. The willingness of FIPUG, FEA, and Gulf to enter into this partial settlement agreement regarding revenue Issue Nos. 11, 62, 63, 80 is predicated on the approval of the partial settlement agreement encompassing cost of service and rate design issues designated in Prehearing Order No. PSC-11-0564-PHO-EI as Issues Nos. 106, 107, and 108, which settlement is set forth in that certain separate stipulation and agreement of those entities dated December 16, 2011. FIPUG, FEA, and Gulf understand and acknowledge that OPC and FRF take no position on the cost of service and rate design Issue Nos. 106, 107, and 108 in this docket and will take no position on the separate settlement agreement relating to Issue Nos. 106, 107 and 108. FIPUG, Gulf, and FEA agree that they will not represent any position of either OPC or FRF on the separate agreement on cost of service and rate design Issue Nos. 106, 107, and 108 other than that OPC and FRF have taken no position on the separate settlement agreement.

4. FIPUG, FEA, and Gulf acknowledge that the participation of OPC and FRF in this partial settlement of revenue issues 11, 62, 63, and 80, is limited to, and premised solely on, the resolution of these revenue issues. FIPUG, FEA, Gulf, FRF and OPC understand and agree that, because the willingness of FIPUG, FEA, and Gulf to enter this settlement of Issue Nos. 11,

62, 63, and 80 is tied to the disposition of the separate agreement on cost of service and rate design Issues Nos. 106, 107, and 108, this settlement of Issue Nos. 11, 62, 63, and 80 is conditioned and contingent upon the approval by the Florida Public Service Commission of both this settlement agreement relating to Issue Nos. 11, 62, 63, and 80 and the separate settlement agreement between and among FIPUG, FEA, and Gulf encompassing Issue Nos. 106, 107, and 108 dated December 16, 2011. FIPUG, Gulf, FEA, OPC, and FRF agree that, if the Florida Public Service Commission does not approve this settlement agreement pertaining to Issue Nos. 11, 62, 63, and 80 and the separate settlement agreement between and among FIPUG, FEA, and Gulf in their entirety and without change, this agreement pertaining to Issue Nos. 11, 62, 63, and 80 shall be null and void, and FIPUG, FEA, Gulf, FRF and OPC shall be free to assert any position on said issues that they deem to be in their respective interests.

5. It is understood and explicitly agreed that FIPUG, FEA, Gulf, FRF and OPC have entered this agreement for purposes of settlement, and their participation shall not prejudice the right and ability of any signatory hereto to take any position in any other proceeding in any venue. This settlement agreement relating to Issue Nos. 11, 62, 63, and 80 shall have no precedential value.

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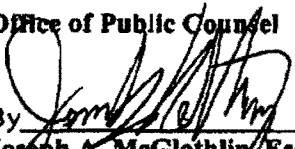
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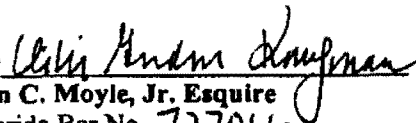
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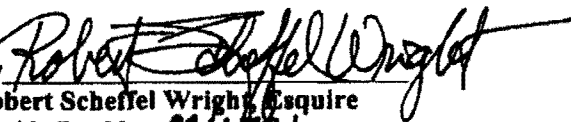
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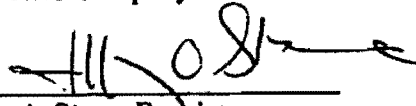
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for increase in rates by Gulf
Power Company.

DOCKET NO. 110138-EI

Filed: December 16, 2011

**STIPULATION AND AGREEMENT REGARDING SETTLEMENT OF CERTAIN
COST OF SERVICE AND RATE DESIGN ISSUES**

The Florida Industrial Power Users Group ("FIPUG"), the Federal Executive Agencies ("FEA"), and Gulf Power Company ("Gulf Power", "Gulf", or "the Company"), through their respective undersigned counsel, hereby request the Florida Public Service Commission to enter an order accepting and approving this settlement agreement regarding certain cost of service and rate design issues, identified in Prehearing Order No. PSC-11-0564-PHO-EI as Issue Nos. 106, 107, and 108, as a partial settlement of the issues in this docket. FIPUG, FEA, and Gulf submit that this partial settlement agreement constitutes a fair and reasonable disposition of the issues encompassed within this settlement agreement, and serves the best interests of the customers they represent and the public interest in general.

AGREEMENT

WHEREAS Prehearing Order No. PSC-11-0564-PHO-EI identifies, among others, Issue Nos. 106, 107, and 108 as issues in this docket that the Florida Public Service Commission must consider and resolve in its disposition of Docket No. 110138-EI;

WHEREAS FIPUG, FEA, and Gulf agree that in order to resolve Issue Nos. 106, 107, and 108, each of them is willing to accept the outcome on the collective body of issues as set forth in the body of this partial settlement agreement;

WHEREAS FIPUG, FEA, and Gulf agree that the resolution of these issues shall not constitute precedent in any future regulatory proceeding involving another utility and any of the signatories to this agreement;

WHEREAS FIPUG, FEA, and Gulf agree that, the proposed resolution of the issues enumerated herein is contingent upon the Commission's acceptance and approval of this settlement agreement and of a separate, contemporaneous settlement agreement of revenue issues designated in Prehearing Order No. PSC-11-0564-PHO-EI as Issue Nos. 11, 62, 63, and 80,

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between and among FIPUG, the Citizens of the State of Florida through the Office of Public Counsel (OPC), FEA, the Florida Retail Federation (FRF), and Gulf; and

WHEREAS FIPUG, FEA, and Gulf propose this settlement agreement as a reasonable resolution and disposition of the issues identified herein;

NOW THEREFORE, based on the foregoing recitals and discussions, FIPUG, FEA, and Gulf agree that:

1. The enumerated issues covered by this agreement addressing cost of service and rate design issues are Issue Nos. 106, 107, and 108 as set forth in Order No. PSC-11-0564-PHO-EI. All signatories to this agreement have taken positions on these issues.

2. The enumerated cost of service and rate design Issue Nos. 106, 107, and 108 shall be resolved by the Commission's acceptance and approval of the methodology filed by Gulf in this proceeding as Attachment A to MFR Schedule E-1 and in the Exhibit MTO-2 solely for use in designing rates in this case. Distribution costs are either assigned, where possible, or allocated to Rate Class. Demand-related distribution costs at Level 3 are allocated on a Coincident Peak Demand (CP) Level 3 allocator. Demand-related distribution costs at Levels 4 and 5 are allocated on, their respective level, Non-Coincident Peak Demand (NCP) allocator. An example of a Level 3 Distribution Common Demand-related Investment is Account 362 – Station Equipment, which is allocated to Rate Class on a Level 3 CP demand allocator. An example of a Level 4 and Level 5 Common Distribution Demand-related Investment is Account 365 – Overhead Conductors. This Account has both Level 4 and Level 5 Common Investment. The Level 4 Common Investment is allocated to Rate Class on a Level 4 NCP demand allocator, and the Level 5 Common is allocated to Rate Class on a Level 5 NCP demand allocator. Customer-related Distribution costs are at both Level 4 and Level 5. These customer-related costs are allocated on their respective Level average number of customers' allocator. An example of Level 5 Distribution Customer-related Investment is Account 365 – Overhead Conductors. This customer-related investment at Level 5 is allocated to Rate Class on the average number of customers at Level 5. Note: Where cost must be divided into demand and customer component, the cost of service methodology filed by Gulf in this proceeding as Attachment A to MFR Schedule E-1 and in the Exhibit MTO-2 may be used in this case. The increase should be spread among the rate classes as shown in MFR E-8 of Gulf's filing.

3. This partial settlement agreement regarding cost of service and rate design Issue Nos. 106, 107, and 108 is predicated on the approval of this settlement agreement and the separate, contemporaneous partial settlement agreement encompassing revenue issues designated in Prehearing Order No. PSC-11-0564-PHO-EI as Issues Nos. 11, 62, 63, and 80, which settlement is set forth in that certain separate stipulation and agreement of FIPUG, FEA, OPC, FRF, and Gulf Power dated December 16, 2011. If the Florida Public Service Commission does not approve this settlement agreement pertaining to Issue Nos. 106, 107, and 108 and the separate settlement agreement pertaining to revenue Issue Nos. 11, 62, 63, and 80 between and among FIPUG, OPC, FRF, FEA, and Gulf in their entirety and without change, this agreement pertaining to Issue Nos. 105, 106, and 108 shall be null and void, and FIPUG, Gulf, and FEA shall be free to assert any position on said issues that they deem to be in their respective interests. (While this settlement of cost of service and rate design Issue Nos. 106, 107, and 108 and the separate settlement of revenue Issue Nos. 11, 62, 63, and 80 are each contingent upon the approval of both settlement agreements by the Florida Public Service Commission in their entirety and without change, consistent with their obligations under the separate settlement of revenue issues FIPUG, FEA, and Gulf represent that OPC and FRF have taken no position on Issue Nos. 106, 107, and 108 during the proceeding, are not participating in this settlement of cost of service Issue Nos. 106, 107, and 108, and express no position with respect to the Commission's consideration of it.)

4. It is understood and explicitly agreed that FIPUG, FEA, and Gulf have entered this agreement for purposes of settlement, and their participation shall not prejudice the right and ability of any signatory hereto to take any position in any other proceeding in any venue. This settlement agreement relating to Issue Nos. 106, 107, and 108 shall have no precedential value.

WHEREFORE, FIPUG, FEA, and Gulf respectfully request that the Commission undertake its review of this agreement and act upon the above stated request for its approval at the earliest practicable date, in order to allow for the orderly implementation of the agreement and to provide certainty to the undersigned and their respective constituents and customers with respect to the outcome of these proceedings.

Respectfully submitted this 16th day of December, 2011.

Florida Industrial Power Users Group

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Respectfully submitted this 16th day of December, 2011.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition for Increase in Rates
by Gulf Power Company

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Docket No. 110138-EI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic delivery the 16th day of December, 2011, on the following:

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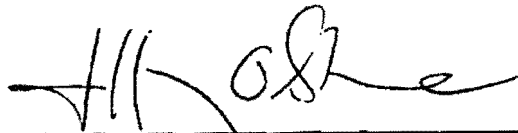
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