

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for accounting recognition of
Gulf Power Company's ownership in Plant
Scherer as being in service to retail customers.

DOCKET NO. 160134-EI
ORDER NO. PSC-16-0426-PCO-EI
ISSUED: October 4, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

**ORDER ADDRESSING GULF POWER COMPANY'S
OWNERSHIP IN PLANT SCHERER**

BY THE COMMISSION:

On May 5, 2016, Gulf Power Company (Gulf or Company) filed a letter notifying us of the change in status of Gulf's ownership interest in the Plant Scherer Unit No. 3 (Scherer Unit 3) and the associated common facilities. In addition to notifying us that Plant Scherer is now dedicated to serving native load customers, Gulf specifically requested that it may: 1) stop making adjustments to its monthly Earning Surveillance Reports (ESRs) to remove Scherer Unit 3's related investment and expenses from the retail jurisdictional rate of return calculation to the extent that it is not currently committed to off-system sales; and 2) reflect the Scherer Unit 3 as a native load serving resource in all other regulatory filings with us. The Company has been making adjustments to remove Scherer Unit 3 from retail jurisdictional filings since 1990 pursuant to Order No. 23573.¹ The Office of Public Counsel filed a Notice of Intervention in this docket on July 21, 2016, which was granted by Order No. PSC-16-0357-PCO-EI, issued on August 26, 2016. Also, by letter dated July 27, 2016, the Sierra Club urged us to deny the Company's request or to defer its decision on this item, citing what the Sierra Club believes are substantive omissions in the Company's request.

This Order addresses the requested change in status for Scherer Unit 3. We have jurisdiction over this matter pursuant to Section 366.04, Florida Statutes (F.S.).

In its request, the Company stated that the first of three existing long-term off-system sales contracts expired at the end of 2015, releasing approximately 52 percent of Gulf's ownership in Scherer Unit 3, and an additional contract expiring in May 2016, releasing an additional 24 percent of Gulf's ownership in Scherer Unit 3 to be used in serving its native load customers. The final long-term contract is set to expire in December 2019, which will then

¹ Order No. 23573, issued October 3, 1990, in Docket No. 891345-EI, In re: Application of Gulf Power Company for a rate increase, pp. 12-13.

enable Gulf to dedicate 100 percent of the capacity of its ownership in Scherer Unit 3 to serving its native load customers.

Gulf also stated that its ownership interest in Scherer Unit 3 has always been to ultimately serve its native load customers, and the long-term off-system sales contracts served to bridge the gap in time between the commercial operation date of Scherer Unit 3 and the anticipated need of the generation to serve native load customers. In its request, the Company cites two Commission Orders² in support of its assertion that its ownership interest in Scherer Unit 3 was deemed prudent by us in lieu of constructing new generating assets at its Caryville site, and that it was always intended to serve native load customers.

In previous Orders we have acknowledged Gulf's decision to not construct a new generating asset at the Caryville site, and in lieu, purchase an ownership interest in Scherer Unit 3, to be reasonable based upon an economic advantage to Gulf's customers.³ Therefore, we find that Gulf retains the opportunity to seek approval to include its share of Scherer Unit 3 in retail jurisdictional rate base in a future regulatory proceeding.

Pursuant to Rule 25-6.1352, Florida Administrative Code (F.A.C.), and in accordance with Order No. 23573, the Company shall continue to make adjustments to its monthly ESRs to remove Scherer Unit 3's related investment and expenses from the retail jurisdictional rate base. Additional information is needed to monitor the impact of Gulf's share of Scherer Unit 3 on the Company's jurisdictional earnings. Therefore, Gulf shall file a separate monthly ESR with recognition of its share of Scherer Unit 3's related investment and expenses that are not currently committed to off-system sales. Additionally, we find that Gulf retains the opportunity to seek approval to include its share of Scherer Unit 3 in retail jurisdictional rate base in a future regulatory proceeding.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that pursuant to Rule 25-6.1352, F.A.C., and in accordance with Order No. 23573, Gulf Power Company shall continue to make adjustments to its monthly ESRs to remove Scherer Unit 3's related investment and expenses from the retail jurisdictional rate base. It is further

OREDERD that Gulf Power Company shall file a separate monthly ESR with recognition of its share of Scherer Unit 3's related investment and expenses that are not currently committed to off-system sales. It is further

² Order Nos. 10557, issued February 1, 1982, in Docket No. 810136-EU, In re: Petition of Gulf Power Company for an increase in its rates and charges, p. 13, and 11498, issued January 11, 1983, in Docket No. 820150-EU, In re: Petition of Gulf Power Company for an increase in its rates and charges, p. 15.

³ Order No. 9628, issued November 10, 1980, in Docket No. 800001-EU, In re: Petition of Gulf Power Company for an increase in its rates and charges, pp. 6-7.

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ORDERED that Gulf Power Company shall retain the opportunity to seek approval to include its share of Scherer Unit 3 in retail jurisdictional rate base in a future regulatory proceeding. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 4th day of October, 2016.

Carlotta S Stauffer

CARLOTTA S. STAUFFER

Commission Clerk

Florida Public Service Commission

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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.

DJ

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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, 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 or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.