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: March 30, 2017

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Kelley F. Corbari, Senior Attorney, Office of the General Counsel KFC

RE: **Docket No. 160186-EI** In re: Petition for rate increase by Gulf Power Company.
Docket No. 160170-EI In re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company.

Attached please find Staff's Summary points of the Stipulation and Settlement Agreement, filed in the above-referenced matter on March 20, 2017.

Thank you for your assistance in this matter. Should you have any questions, please do not hesitate to contact me.

KFC

FPSC Staff Summary of
Stipulation and Settlement Agreement between
Gulf Power Company, the Office of Public Counsel, and the Florida Industrial Power Users Group
Docket Nos. 160186-EI and 160170-EI
March 30, 2017

- Overall base rate revenue requirement increase would be $62 million. Net increase inclusive of credits is $54.3 million. Effective date of new rates is first billing cycle of July 2017.

- Stipulation allows for 100% of Gulf's ownership in plant Scherer to be included in retail rate base. This will be offset by a one time write down of $32.5 million to the plant balance as well as the crediting of revenues associated with a wholesale contract that expires in December 2019.

- Revenues from wholesale contract will offset impact to Environmental Cost Recovery Clause associated with incremental Scherer addition through December 2019.

- ROE will remain at current rate of 10.25% with a range of 9.25% to 11.25%. Equity ratio not greater than 52.5%.

- New depreciation rates not effective until January 1, 2018.

- Within 60 days of any federal tax reform, Gulf will identify and file with the Commission the resulting regulatory asset or liability. At the Company's discretion, such asset or liability could be addressed in either a limited proceeding or the Company's next base rate proceeding.

- Storm damage cost recovery would continue current surcharge methodology capped at $4.00/1,000 kWh, but expand inclusion to other catastrophic events such as ice storms or tornadoes. For these other types of storms, use of a surcharge would not be permitted until the aggregate amount exceeded 75% of the property damage reserve balance as of April 1, 2017. Gulf can suspend current annual accrual of $3.5 million/year at its discretion.

- No stay out provision, but Gulf will have to book unamortized rate case expense below the line if Gulf initiates a proceeding to increase base rates effective January 1, 2019. No unamortized rate case expense can be considered for future interim rate relief.

- Moratorium for natural gas financial hedging will continue until January 1, 2021.

- Residential rates design will be based on last proceeding (2013 Settlement).

- Credits for Critical Peak Option and dismantlement accruals remain at current levels.

- Request to include North Escambia site as plant held for future use is withdrawn without prejudice.

- Electric vehicle charging stations to be provided on a pilot program basis for a period of up to five years.

- New interruptible rate offering to be filed within 6 months of approval.