

**Robert L. McGee, Jr.**  
Regulatory & Pricing Manager

One Energy Place  
Pensacola, Florida 32520-0780

Tel 850 444 6530  
Fax 850 444 6026  
RLMCGEE@southernco.com

June 23, 2015



Ms. Lee Eng Tan, Senior Attorney  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

RE: Solar Energy in Florida

Dear Ms. Tan:

Attached are Gulf Power Company's comments regarding Solar Energy in Florida as per your request dated April 23, 2015.

Sincerely,

A handwritten signature in black ink that reads "Robert L. McGee, Jr." in a cursive script.

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

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Attachments

cc: Beggs & Lane  
Jeffrey A. Stone, Esq.

Gulf Power Company ("Gulf Power," "Gulf" or "the Company") appreciates the opportunity to submit comments in response to the Florida Public Service Commission's ("Commission") Request for Comments concerning solar energy in Florida dated April 23, 2015. Gulf Power commends the Commission for its continued interest in, and support of, all cost-effective renewable generation under existing law and Commission policy.

The effectiveness of the Commission's actions was most recently demonstrated through the approval of three solar energy purchase agreements and one wind energy purchase agreement proposed by Gulf Power in Docket Nos. 150035-EI and 150049-EI, respectively. The solar agreements will facilitate the construction of a combined total of 120 megawatts ("MW") of solar photovoltaic generation on two Naval installations and one Air Force installation within the Company's service area. The wind agreement will help facilitate the construction of the Kingfisher wind facility in Oklahoma and secure approximately 674,437 MWh per year of low cost wind energy for Gulf's customers.

These innovative projects are a first of their kind in the state of Florida and will significantly increase Gulf Power's renewable energy portfolio to over 5% of its total energy mix. Importantly, Gulf was able to secure these renewable resources at pricing below the Company's projected cost of self-generation (a/k/a "avoided-cost") meaning that the projects provide benefits for all of Gulf's customers. These projects are examples of Gulf's and the Commission's commitment to pursuing "smart" renewable generation that avoids cross-subsidization and is cost-effective for all customers. This Commission's long-standing practice of utilizing a utility's avoided cost as a benchmark for cost-effectiveness has proven to be a beneficial standard for securing and promoting renewable generation in Florida—while also protecting utility customers from upward rate pressure—and should not be abandoned or modified.

With these recent successes, Gulf Power is committed to continuing its pursuit of cost-effective renewable generation under existing law and Commission policy. If the

Commission desires to explore additional mechanisms for the promotion of renewable generation in Florida, the following may warrant additional consideration:

- Shared-savings for renewable purchased power agreements;
- Allowance for weighted average cost of capital funding of nonregulated utility renewables operations;
- Allowance of cost recovery through the Fuel and Purchased Power Cost Recovery Clause of utility-owned renewable generation projects which provide fuel savings to all customers; and
- Innovative pricing structures that fairly recover costs.

While the most cost-effective ways of increasing the development of solar in Florida are currently large scale projects, Gulf recognizes that many customers have an interest in supporting solar energy in distributed or rooftop applications. The Commission should support utility efforts to develop solar programs that benefit customers who, for a variety of reasons, cannot or choose not to take advantage of customer-owned, small-scale distributed generation. Many customers who are interested in solar cannot participate because they lack resources, suitable roof space, or do not own their residences, among other challenges. Properly structured utility programs, including innovative pricing structures, could allow these customers to participate in the solar space, while also protecting non-participating customers from upward rate pressure. Such an approach would not require changes to current laws or policy, but would simply require new application of them.