



Gulf Power®

March 15, 2019

Mr. Andrew Maurey, Director
Division of Accounting and Finance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Forecasted Earnings Surveillance Report for Calendar Year 2019

Dear Mr. Maurey:

Attached is Gulf Power Company's Forecasted Earnings Surveillance Report for the calendar year 2019.

Sincerely,

C. Shane Boyett
Regulatory Issues Manager

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Attachments

cc/att.: Office of the Public Counsel
c/o Florida Legislature
111 W. Madison, Rm. 801
Tallahassee FL 32399-1400

FLORIDA PUBLIC SERVICE COMMISSION
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
 GULF POWER COMPANY
 2019

SCHEDULE 1

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments
I. Average Rate of Return				
(JURISDICTIONAL)				
	(a)	(b)		
Net Operating Income	\$219,417,528.65	(\$57,243,851)	\$162,173,677	\$0
Average Rate Base	\$4,187,497,980	(\$1,472,466,945)	\$2,715,031,034	\$0
Average Rate of Return	5.24%		5.97%	
(a) Includes AFUDC Earnings				
(b) Includes Reversal of AFUDC Earnings				
III. Required Rates of Return				
Average Capital Structure (FPSC Adjusted Basis)				
Low	5.39%			
Midpoint	5.81%			
High	6.23%			
IV. Financial Integrity Indicators				
A. T.I.E. With AFUDC	2.55	x (System per Books Basis)		
B. T.I.E. Without AFUDC	2.45	x (System per Books Basis)		
C. AFUDC To Net Income	4.14%	(System per Books Basis)		
D. Internally Generated Funds	80.40%	(System per Books Basis)		
E. LTD To Total Investor Funds	43.64%	(FPSC Adjusted Basis)		
F. STD To Total Investor Funds	2.86%	(FPSC Adjusted Basis)		
G. Return on Common Equity	10.65%	(FPSC Adjusted Basis)		

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
AVERAGE RATE OF RETURN
RATE BASE
GULF POWER COMPANY
2019

	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NUCLEAR FUEL (NET)	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
SYSTEM PER BOOKS	5,800,135,023	1,851,516,226	3,948,618,797	14,110,466	138,650,746	0	4,101,380,009	406,076,888	4,507,456,898
JURISDICTIONAL PER BOOKS	5,665,814,826	1,824,615,389	3,841,199,437	13,716,516	135,800,364	0	3,990,716,317	196,761,662	4,187,497,980
FPSC ADJUSTMENTS									
ENVIRONMENTAL COST RECOVERY CLAUSE	(1,658,427,069)	(383,890,246)	(1,274,736,822)		0		(1,274,736,822)	(23,130,897)	(1,297,867,719)
INT BEARING CWIP					(135,800,364)		(135,800,364)		(135,800,364)
ENERGY CONSERVATION CLAUSE	(19,160,830)	6,410,695	(25,571,525)				(25,571,525)	(1,142,189)	(26,713,714)
LOANS TO EMPLOYEES / RETIREES								(26,153)	(26,153)
INTEREST AND DIVIDENDS RECEIVABLE								(5,338)	(5,338)
FUNDED PROP RES, N. ESCAMBIA & OTHER INV				(12,053,657)			(12,053,657)		(12,053,657)
FUEL RELATED DEFERRED DEBITS									0
TOTAL FPSC ADJUSTMENTS	(1,677,587,898)	(377,279,551)	(1,300,308,347)	(12,053,657)	(135,800,364)	0	(1,448,162,368)	(24,304,577)	(1,472,466,945)
FPSC ADJUSTED	3,988,226,927	1,447,335,837	2,540,891,090	1,662,859	0	0	2,542,553,949	172,477,065	2,715,031,034

TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
AVERAGE RATE OF RETURN
INCOME STATEMENT
GULF POWER COMPANY
2018

	OPERATING REVENUES	O & M FUEL & NET INTERCHANGE	O & M OTHER	DEPRECIATION & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	DEFERRED INCOME TAXES (NET)	INVESTMENT TAX CREDIT (NET)	(GAIN)/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
SYSTEM PER BOOKS	1,581,449,218	600,808,882	311,634,373	250,830,084	108,569,154	66,319,849	(17,585,376)	(518,423)	0	1,321,956,544	259,492,674 (a)
JURISDICTIONAL PER BOOKS	1,303,847,310	434,179,167	304,966,487	188,452,759	108,471,648	63,499,685	(17,585,376)	(509,145)	0	1,091,475,225	212,372,085 (a)
LESS FPSC ADJUSTMENTS:											
RETAIL FUEL REVENUES & EXPENSES	(339,437,637)	(348,411,647)				2,274,463				(346,137,184)	6,699,548
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(74,611,415)	(85,767,520)				2,827,515				(82,940,005)	8,328,590
ENERGY CONSERVATION COST REVENUES & EXPENSES	(14,515,000)		(10,511,865)	(1,449,178)	(588,517)	(498,141)				(13,047,700)	(1,467,300)
ENVIRONMENTAL COST RECOVERY CLAUSE	(183,143,053)		(34,411,063)	(58,257,621)	(6,297,969)	(21,334,509)				(120,301,162)	(62,841,891)
FRANCHISE FEE REVENUE & EXPENSE	(41,120,713)				(40,063,088)	(266,055)				(40,331,143)	(769,570)
GROSS RECEIPTS TAX REVENUE & ADJUSTMENT	(30,320,406)				(31,326,593)	255,018				(31,071,575)	751,169
MARKETING SUPPORT ACTIVITIES			(187,750)			47,585				(140,165)	140,165
INSTITUTIONAL ADVERTISING EXPENSE			(112,845)			28,601				(84,244)	84,244
ECONOMIC DEVELOPMENT EXPENSE			(88,154)			22,343				(65,812)	65,812
MGMT FINANCIAL PLANNING SERVICES			(39,763)			10,078				(29,685)	29,685
DIRECTORS' & OFFICERS' INSURANCE			(76,085)			19,284				(56,801)	56,801
INDUSTRY ASSOCIATION DUES			(1,526)			387				(1,139)	1,139
TALLAHASSEE LIAISON EXPENSES			(625,578)			168,228				(455,323)	495,523
GRT, FPSC FEES ON CLAUSES & FEES					(38,172)					(1,011,903)	1,011,903
(GAIN) / LOSS ON DISPOSITION					(1,355,439)	343,536				0	0
INTEREST SYNCHRONIZATION						2,764,225				2,764,225	(2,764,225)
TOTAL FPSC ADJUSTMENTS	(683,148,224)	(434,179,167)	(46,054,629)	(59,706,798)	(79,669,779)	(13,339,443)	0	0	0	(632,949,816)	(50,198,407)
FPSC ADJUSTED	620,699,086	0	258,911,858	138,745,960	28,801,869	50,160,242	(17,585,376)	(509,145)	0	458,625,408	162,173,677

(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY \$7,045,444 AND THE JURISDICTIONAL NOI BY \$7,193,324. TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
AVERAGE RATE OF RETURN
SYSTEM ADJUSTMENTS
GULF POWER COMPANY
2019

SCHEDULE 2
PAGE 3 OF 3

<u>RATE BASE ADJUSTMENTS</u>	<u>AMOUNT</u>	<u>NET OPERATING INCOME STATEMENT ADJUSTMENTS</u>	<u>AMOUNT</u>	<u>TAX EFFECT</u>
ENVIRONMENTAL COST RECOVERY CLAUSE		FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(516,714,551)	(130,961,303)
INVESTMENT	(1,689,052,461)	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(188,319,405)	(47,729,553)
ACCUMULATED DEPRECIATION	390,600,039	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(74,255,978)	(18,820,178)
CWIP	0	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(14,515,000)	(3,678,827)
ENERGY CONSERVATION COST RECOVERY		FUEL EXPENSE	(525,600,008)	133,213,322
INVESTMENT	(19,160,830)	PURCHASED POWER CAPACITY COST EXPENSE	(86,086,644)	21,818,660
ACCUMULATED DEPRECIATION	(6,410,695)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(11,961,042)	3,031,526
CWIP	0	CONSERVATION EXPENSES - OTHER TAXES	(588,517)	149,160
FAS 143 NET PLANT	(40,929,061)	ENVIRONMENTAL COST RECOVERY EXPENSE	(101,769,223)	25,793,409
INTEREST BEARING CWIP	(138,650,746)	FRANCHISE FEE REVENUES	(41,120,713)	(10,422,045)
PHFU - NORTH ESCAMBIA	(12,399,848)	FRANCHISE FEE	(40,063,088)	10,153,990
WORKING CAPITAL:		GROSS RECEIPTS TAX REVENUES	(30,320,406)	(7,684,707)
ECRC WORKING CAPITAL	(23,130,897)	GROSS RECEIPTS TAX EXPENSE	(31,326,593)	7,939,725
CONSERVATION/AEM INVENTORY	(1,142,189)	MARKETING SUPPORT ACTIVITIES	(187,750)	47,585
LOANS TO EMPLOYEES AND RETIREES	(28,614)	INSTITUTIONAL ADVERTISING EXPENSE	(115,000)	29,147
INTEREST & DIVIDENDS RECEIVABLE	(5,432)	ECONOMIC DEVELOPMENT EXPENSE	(88,154)	22,343
NORTH ESCAMBIA SITE	(996,480)	MGMT FINANCIAL PLANNING SERVICES	(40,596)	10,289
FUEL RELATED DEFERRED DEBITS	0	DIRECTORS' & OFFICERS' INSURANCE	(77,679)	19,688
UNREALIZED LOSS ON FWD CONTRACT	(2,997)	INDUSTRY ASSOCIATION DUES	(1,555)	394
FAS 143 WORKING CAPITAL	65,845,501	TALLAHASSEE LIAISON EXPENSE	(638,688)	161,875
FAS 158 REGULATORY ASSETS	(170,960,559)	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,355,439)	343,536
FAS 158 REGULATORY LIABILITIES	170,960,559	COMP SALES/TRANS REV/AL SALE GAS/PROV RT REFV. ESC REV	0	0
PPA REGULATORY ASSETS	(86,119,513)	INTEREST SYNCHRONIZATION	2,764,225	2,764,225
PPA REGULATORY LIABILITIES	86,119,513			
FAS 133 REGULATORY ASSETS	(6,362,271)			
FAS 133 REGULATORY LIABILITIES	6,362,271			

SCHEDULE 3

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
GULF POWER COMPANY
2019

AVERAGE	SYSTEM PER BOOKS	RETAIL PER BOOKS	ADJUSTMENTS		ADJUSTED RETAIL	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
			PRO RATA	SPECIFIC			COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	1,502,320,287	1,482,645,898	(530,506,585)	0	932,139,313	34.33	4.07	1.40	4.07	4.07	1.40	4.07
SHORT TERM DEBT	180,397,934	60,620,665	396,777	0	61,017,441	2.25	3.55	0.08	3.55	3.55	0.08	3.55
PREFERENCE STOCK	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CUSTOMER DEPOSITS	34,629,453	31,752,189	(11,584,968)	0	20,167,221	0.74	2.37	0.02	2.37	2.37	0.02	2.37
COMMON EQUITY	1,804,719,671	1,752,981,814	(610,203,996)	0	1,142,777,817	42.09	9.25	3.89	10.25	10.25	4.31	11.25
DEFERRED INCOME TAXES	610,673,362	534,417,140	(184,788,588)	0	339,628,552	12.51						
FASB 109 DEFERRED TAXES	342,507,006	344,400,220	(125,529,717)	0	218,870,503	8.06						
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00						
TAX CREDITS - WEIGHTED COST	824,405	680,054	(249,668)	0	430,187	0.02	6.64	0.00	7.37	7.37	0.00	7.91
TOTAL	4,476,072,118	4,187,497,980	(1,472,466,945)	0	2,715,031,034	100.00	5.39 %	5.81 %	5.81 %	5.81 %	5.81 %	6.23 %

TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
FINANCIAL INTEGRITY INDICATORS
GULF POWER COMPANY
2019

SCHEDULE 4

A. Times Interest Earned with AFUDC

Earnings Before Interest	232,266,393
AFUDC - Debt	2,222,022
Income Taxes	<u>(50,416,050)</u>
Total	184,072,365
Interest Charges (Before Deducting AFUDC - Debt)	<u>72,266,393</u>
Tie With AFUDC	<u>2.55</u> x

B. Times Interest Earned without AFUDC

Earnings Before Interest	232,266,393
AFUDC - Other	(4,971,302)
Income Taxes	<u>(50,416,050)</u>
Total	176,879,040
Interest Charges (Before Deducting AFUDC - Debt)	<u>72,266,393</u>
Tie Without AFUDC	<u>2.45</u> x

**C. Percent AFUDC To Net Income Available
for Common Stockholders**

AFUDC - Debt	2,222,022
X (1 - Income Tax Rate)	<u>0.7488</u>
Subtotal	1,658,850
AFUDC - Other	<u>4,971,302</u>
Total	<u>6,630,153</u>
Net Income Available for Common Stockholders	<u>160,000,000</u>
Percent AFUDC to Available Net Income	<u>4.14%</u>

D. Percent Internally Generated Funds

Net Income	160,000,000
Preference Dividends	0
Common Dividends	(361,000,000)
AFUDC (Debt & Other)	(7,193,324)
Depreciation & Amortization	250,930,084
Deferred Income Taxes	(17,585,376)
Investment Tax Credits	0
Other	<u>569,571,501</u>
Total	594,722,685
Construction Expenditures (Excluding AFUDC Other & Debt)	<u>739,686,999</u>
Percent Internally Generated Funds	<u>80.40%</u>

**E. Long Term Debt as Percent of Total
Investor Capital**

F. Short Term Debt as Percent of Total Investor Capital

Reconciled Average Retail Amounts	
Long Term Debt	932,139,313
Short Term Debt	61,017,441
Preference Stock	0
Common Equity	<u>1,142,777,817</u>
Total	2,135,934,572
% Long Term Debt To Total	<u>43.64%</u>
% Short Term Debt To Total	<u>2.86%</u>

**G. FPSC Adjusted Average Jurisdictional Return
On Common Equity**

	G. FPSC ADJ.	H. PROFORMA
FPSC Adjusted Average Earned Rate of Return	<u>5.97%</u>	<u>5.97%</u>
Less: Reconciled Average Retail Weighted Cost Rates For:		
Long Term Debt	(1.40)	(1.40)
Short Term Debt	(0.08)	(0.08)
Preference Stock	0.00	0.00
Customer Deposits	(0.02)	(0.02)
Tax Credits - Weighted Cost	0.00	0.00
Subtotal	<u>(1.49)</u>	<u>(1.49)</u>
Total	4.48	4.48
Divided by Common Equity Ratio	<u>42.09</u>	<u>42.09</u>
Jurisdictional Return on Common Equity	<u>10.65%</u>	<u>10.65%</u>

TOTALS MAY NOT ADD DUE TO ROUNDING.

FLORIDA PUBLIC SERVICE COMMISSION
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
 FORECAST ASSUMPTIONS
 GULF POWER COMPANY
 2019

SCHEDULE 5

FORECAST ASSUMPTIONS

<u>Customers (Avg.)</u>	<u>2019 Forecast</u>	<u>2018 Actual</u>
Residential	413,652	406,949
Commercial	57,629	56,892
Industrial	255	253
Other	599	588
Total	<u>472,135</u>	<u>464,681</u>
 <u>KWH Sales</u> 		
Residential	5,447,954,231	5,519,378,042
Commercial	3,759,637,327	3,828,676,369
Industrial	1,688,776,283	1,756,556,742
Other	27,388,488	27,771,768
Inter Departmental	0	0
Total	<u>10,923,756,329</u>	<u>11,132,382,921</u>

See Attached For Additional Information

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

Mitchell P. Goldstein
Name


Signature

Vice President - Finance
Title

March 15, 2019
Date

**FLORIDA PUBLIC SERVICE COMMISSION
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT
GULF POWER COMPANY
2019 FORECAST ASSUMPTIONS**

Attachment to Schedule 5

The forecast of energy sales for 2019 was developed as part of Gulf's planning cycle which took place during the 3rd quarter of 2018, and which has not been formally updated. The forecast at that time anticipated the number of customers would continue to grow in 2019, reflecting the prior trends of steady growth for the economy in Northwest Florida. Economic projections were from IHS Markit May 2018 forecast.

The forecasts of customers, energy sales, peak demands, and base rate revenues were completed by the 3rd quarter of 2018. Subsequently, Hurricane Michael impacted Gulf's territory in October 2018 and caused the loss of many customers.

Normal weather conditions are assumed for the year. Energy sales and peak demand forecasts include the effects of Gulf's conservation programs and other market place initiatives. The resulting 2019 sales forecast reflected our latest estimate of growth prior to Hurricane Michael. Base rate revenues were calculated using the FPSC approved rates per Order No. PSC-2018-0548-S-EI, issued November 19, 2018.

Due to the unprecedented impacts of Hurricane Michael, a top-level adjustment was made to the original base rate revenue forecast to reflect the estimated impacts of Hurricane Michael; however, the detailed forecast of customers and usage per customer have not been updated.

The forecasted levels of operations and maintenance expense and capital additions are necessary to properly fund the projects and activities required to meet the company's customer service and reliability requirements and compliance with all regulatory and legal requirements. These projections include the estimated impacts of customer growth, changing regulations, changes to business processes and/or requirements and inflation.

The provisions of the 2017 Stipulation and Settlement Agreement, as filed in consolidated Docket Nos. 20160186-EI and 20160170-EI and approved by the Commission in Order No. PSC-17-0178-S-EI dated May 16, 2017, are incorporated herein and implemented in this Forecasted Surveillance Report as set forth in the terms of the Stipulation and Settlement Agreement.

Additionally, the provisions of the 2018 Stipulation and Settlement Agreements, as filed in Docket No. 20180039-EI and approved by the Commission in Order No. PSC-2018-0180-FOF-EI dated April 12, 2018 and Order No. PSC-2018-0548-S-EI dated November 19, 2018 are incorporated herein and implemented in this Forecasted Surveillance Report as set forth in the terms of the Stipulation and Settlement Agreements.

Approved Projects Estimated To Exceed \$10,000,000 Commencing This Period ⁽¹⁾

<u>Project Description</u>	<u>Estimated Total Cost (\$ 000s)</u>	<u>Construction Start Date</u>	<u>Estimated In - Service Date</u>
Blue Indigo Solar	104,000	February 2019	January 2020
Customer Information System (CIS) Project	73,000	January 2019	December 2019
Plant Smith .05 Upgrade	45,000	March 2019	July 2019

⁽¹⁾ On January 1, 2019, Gulf Power became a subsidiary of NextEra Energy, Inc., which also owns Florida Power & Light Company (FPL). Beginning in 2019, the resource planning analyses for Gulf Power will be performed by the resource planning group at FPL. As of March 15 2019, new resource planning analyses have been initiated and are expected to continue throughout 2019. It is expected that a number of resource options will be analyzed to determine if they would be cost-effective for Gulf Power's customers. The forecasted earnings and cashflow in this Electric Forecasted Earnings Surveillance Report reflect preliminary estimates of capital spending for projects being analyzed. Approved projects over \$10,000,000 are shown on this page.