

One Energy Place  
Pensacola, Florida 32520

Tel 850.444.6111

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RECORDS AND  
REPORTING



October 1, 1999

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

991487-EI

Dear Ms. Bayo:

Enclosed are an original and fifteen copies of Gulf Power Company's Request for Approval of Prospective Reduction to Authorized Return on Equity.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Request in WordPerfect 8 in Windows format as prepared on a Windows NT based computer.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Ritenour".

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosure

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire  
Florida Public Service Commission  
Robert Elias, Esquire  
William Talbott

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A handwritten signature in cursive script, possibly "Lan", written over the stamp.

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

11880 OCT-1 99

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Proposal of Gulf Power Company for )  
prospective reduction to authorized return on ) Docket No. \_\_\_\_\_  
equity. ) Date filed: October 1, 1999  
\_\_\_\_\_ )

**GULF POWER COMPANY'S REQUEST FOR APPROVAL OF PROSPECTIVE  
REDUCTION TO AUTHORIZED RETURN ON EQUITY**

Gulf Power Company ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and as referenced in the Stipulation and Settlement filed in 990947-EI, hereby requests the Florida Public Service Commission ("Commission") to approve this unilateral request for approval of prospective reduction in the Company's authorized range for return on equity. In support of this request, the Company states:

1. Gulf is a corporation with its headquarters located at 500 Bayfront Parkway, Pensacola, Florida 32501. The Company is an investor-owned electric utility operating under the jurisdiction of this Commission. Notices and communications with respect to this docket should be addressed to:

Jeffrey A. Stone  
Russell A. Badders  
Beggs & Lane  
P. O. Box 12950  
Pensacola, FL 32576-2950

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer  
Gulf Power Company  
One Energy Place  
Pensacola, FL 32520-0780

2. In Docket No. 990244-EI, the Company petitioned the Commission for approval of proposed plan for an incentive revenue sharing mechanism that would have addressed certain regulatory issues including a reduction to the Company's authorized return on equity. Docket No. 990250-EI was opened as an investigation into the earnings and authorized return on equity of Gulf Power Company. Gulf's proposal was denied and an alternative regulatory incentive

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FPSC-RECORDS/REPORTING

plan for Gulf Power Company was proposed by the Commission in Order No. PSC-99-1047-PAA-EI. That order was the subject of a Petition on Proposed Agency Action filed by the Coalition for Equitable Rates ("Coalition"). Docket No. 990947-EI was opened for the purpose of addressing the Office of Public Counsel's petition for a full revenue requirements rate case for Gulf Power Company.

3. Comprehensive settlements of the issues raised or pending in the foregoing dockets have been reached by the parties thereto as reflected in the Stipulation and Settlement in Docket No. 990947-EI and the Joint Request filed in Docket Nos. 990250-EI and 990244-EI (collectively the "settlement agreements"). As a result of the settlement agreements and subject to the approval of the Commission, the Stipulation and Settlement in Docket No. 990947-EI is to be implemented in lieu of a full revenue requirements rate case for Gulf Power Company and in lieu of the regulatory incentive plan for Gulf Power previously proposed as set forth in Section III of and Attachment A to Order No. PSC-99-1047-PAA-EI or any other regulatory plan that may otherwise result from activities in Docket No. 990250-EI. Although the parties to the settlement agreements were not able to reach agreement on a new authorized return on equity range for the Company, nothing in the settlement agreements is intended to prevent Gulf Power from voluntarily agreeing to lower its authorized return on equity range on a prospective basis for the term extending from the Implementation Date (as defined in the Stipulation and Settlement) through the Expiration Date (as defined in the Stipulation and Settlement). All of the parties to the Stipulation and Settlement in Docket No. 990947-EI have agreed that they will not object to or otherwise seek to modify Gulf Power's voluntary reduction herein proposed.

4. In consideration of the Commission's proposed reduction to the Company's

authorized range for return on equity originally set forth in Order No. PSC-99-1047-PAA-EI, and in an effort to facilitate Commission approval of the settlement agreements, Gulf Power hereby unilaterally proposes to lower its authorized range on return on equity as follows:

Effective on the Implementation Date of the Stipulation and Settlement in Docket No. 990947-EI, Gulf Power's authorized return on equity range on a prospective basis for the term extending from the Implementation Date through the Expiration Date as defined in the Stipulation and Settlement will be 10.50% to 12.50% with a midpoint of 11.50% for all regulatory purposes.

5. The voluntary reduction proposed herein constitutes a voluntary relinquishment of an entitlement to use the existing authorized return on equity range of 11.0% to 13.0% with a midpoint of 12.0% for such purposes as the calculation of revenue requirements in the Environmental Cost Recovery Clause and the calculation of the Allowance for Funds Used During Construction ("AFUDC"). In Order No. 18340 issued October 26, 1987 in Docket No. 870890-EI, the Commission accepted a similar proposal by Gulf Power through the issuance of a final order without the necessity of a hearing. As part of this proposal, Gulf Power Company requests that the Commission issue a final order in the same manner that was used by the Commission in Docket No. 870890-EI.

6. In order to allow Gulf's proposed reduction to its authorized return on equity range to be implemented with the Stipulation and Settlement in Docket No. 990947-EI, Gulf expressly requests the Commission to take final agency action on this proposal at the earliest possible Commission Conference at which the Stipulation and Settlement in Docket 990947-EI and the termination and closure of Docket 990250-EI as required therein will be considered by the Commission.

WHEREFORE, Gulf Power Company respectfully requests the Commission to approve

and authorize implementation of the Company's unilateral proposal for a reduction to the Company's authorized range for return on equity to be applied prospectively as stated herein.

Respectfully submitted the 1st day of October 1999.



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**JEFFREY A. STONE**  
Florida Bar No. 325953  
**RUSSELL A. BADDERS**  
Florida Bar No. 7455  
**Beggs & Lane**  
P. O. Box 12950  
Pensacola, Florida 32576-2950  
(850) 432-2451  
**Attorneys for Gulf Power Company**