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| State of Florida  pscSEAL | | 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: | September 24, 2020 | | |
| TO: | Office of Commission Clerk (Teitzman) | | |
| FROM: | Division of Accounting and Finance (Hightower, D. Buys, Cicchetti)  Office of the General Counsel (Lherisson, Schrader) | | |
| RE: | Docket No. 20200187-EI – Application for authority to issue and sell securities during calendar year 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Gulf Power Company. | | |
| AGENDA: | 10/06/20 – Regular Agenda – Final Action – Interested Persons May Participate | | |
| COMMISSIONERS ASSIGNED: | | | All Commissioners |
| PREHEARING OFFICER: | | | Administrative |
| CRITICAL DATES: | | | None |
| SPECIAL INSTRUCTIONS: | | | Please place this item before the item for Docket No. 20200188-EI on the Agenda |

Case Background

Gulf Power Company (Gulf or Company) seeks authority to issue and sell and/or exchange any combination of long-term debt and equities; and issue and sell short-term debt securities during 2021. Gulf and its affiliate, Florida Power & Light Company (FPL), currently have a merger application pending before the Federal Energy Regulatory Commission (FERC). Contingent upon the closing of the merger, the regulated activities and operations of Gulf acquired by FPL as a result of the merger will be financed by FPL.[[1]](#footnote-1), [[2]](#footnote-2) Gulf is herein submitting this Application to ensure it has the requisite authority to finance its regulated operations in 2021 in the event FERC approval of the pending merger application is denied and/or the merger is delayed and does not occur by January 1, 2021.

This recommendation addresses the authorization to issue and sell securities. The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes.

Issue :

 Should the Gulf application for authority to issue and sell securities be approved?

Recommendation:

 Yes, Gulf’s application for authority to issue and sell securities during calendar year 2021 should be approved. (Hightower)

Staff Analysis:

 Gulf seeks authority to issue and sell and/or exchange any combination of long-term debt and equities; and issue and sell short-term debt securities during 2021. The amount of equity securities issued and the maximum principal amount of long-term debt securities issued, will not, in aggregate, exceed more than $1.5 billion during the calendar year 2021. The maximum aggregate principal amount of short-term debt at any one time will total not more than $800 million during the calendar year 2021.

Gulf confirms that the capital raised pursuant to this application will be used in connection with the regulated electric operations of Gulf and not the unregulated activities of the Company or its affiliates. Staff has reviewed Gulf’s projected capital expenditures. The amount requested by the Company ($2.3 billion) exceeds its expected capital expenditures ($1.14 billion). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility for unexpected events such as hurricanes, financial market disruptions and other unforeseen circumstances. Staff believes the requested amounts are reasonable. Staff recommends Gulf’s application for authority to issue and sell securities during calendar year 2021 be approved.

Gulf and FPL currently have a merger application pending before the FERC. Upon approval of the merger, Gulf will cease to exist as a separate legal entity and therefore there will be no remaining authority under this Gulf Securities Application and the Gulf regulated activities and operations will be financed by FPL. Staff recommends that if and when the merger of Gulf with and into FPL occurs, Gulf should provide the Commission with prompt notice of the effective date of closing of the merger and, upon such notice, the authority granted herein should terminate as of the effective date of the closing of the merger. As addressed in staff’s recommendation for Docket No. 20200188-EI, in the event of such termination, Gulf’s liabilities or obligations, provided for in this docket, should be assumed by FPL.

Issue :

 Should this docket be closed?

Recommendation:

  No, this docket should remain open. (Lherisson, Schrader)

Staff Analysis:

 For monitoring purposes, this docket should remain open until May 7, 2022, to allow the Company or its successor entity, as of the effective date of the closing of the merger, time to file the required prompt notice and/or Consummation Report.

Staff recommends to the extent that the effective date of closing of the merger occurs on or before January 1, 2021, this docket should be administratively closed upon receipt of Gulf’s prompt notice of the merger.

Staff recommends to the extent that Gulf issues securities in 2021 pursuant to the authority granted herein, Gulf, or its successor entity, should file a Consummation Report in accordance with Rule 25-8.009, F.A.C., no later than ninety (90) days after the end of the fiscal year and, upon submission of such consummation report, this docket should be closed.

1. Document No. 04180-2020, Docket No. 20200188-EI, *Application for authority to issue and sell securities during calendar years 2020 and 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company and Florida City Gas.* [↑](#footnote-ref-1)
2. The companion securities docket for FPL and Florida City Gas, Docket No. 20200188-EI, *In re: Application for authority to issue and sell securities during calendar years 2020 and 2021, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company and Florida City Gas*, is scheduled to be presented at the October 6, 2020, Agenda Conference along with this docket. [↑](#footnote-ref-2)