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COMMISSION  
CLERK



February 19, 2008

080106-EI

Ms. Ann Cole, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0850

Dear Ms. Cole:

Re: Request to Change AFUDC Rate

Gulf Power Company (Gulf) requests that the Florida Public Service Commission approve a change to the rate Gulf uses to capitalize the allowance for funds used during construction (AFUDC) from 7.48% to 7.65%, effective January 1, 2008. This request is based on the attached Schedules A through C that are consistent with the Commission's approved methodology prescribed in Rule 25-6.0141, Florida Administrative Code, and based on the Company's thirteen-month average capital structure.

Sincerely,

A handwritten signature in cursive script that reads "Terry A. Davis".

bh

Enclosures

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**Gulf Power Company  
 Calculation of AFUDC Rate  
 Based On December 2007 Earning Surveillance Report and 12.0% ROE**

**Schedule A**

<u>Class of Capital</u>	<u>Jurisdictional Capital Structure</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long Term Debt	470,391,317	36.24%	5.77	2.09
Short-Term Debt	0	0.00%	0.00	0.00
Preferred Stock	68,000,194	5.24%	7.26	0.38
Customer Deposits	19,068,443	1.47%	6.16	0.09
Common Equity	551,107,381	42.45%	12.00	5.09
Investment Tax Credits	8,910,053	0.69%		
FASB 109 Deferred Taxes	(392,389)	-0.03%		
Deferred Taxes	<u>181,024,042</u>	<u>13.94%</u>		
Total	<u>1,298,109,041</u>	<u>100.00%</u>		<u>7.65</u>

AFUDC Rate Currently Authorized per order: PSC-03-0588-CO-EI

7.48 %

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**Gulf Power Company**  
**13 MONTH AVERAGE CAPITAL STRUCTURE**  
**Based On December 2007 Earning Surveillance Report**

**SCHEDULE B**

	<u>Balance Per Books</u>	<u>Non Utility Adjustment</u>	<u>UPS Adjustment</u>	<u>Dividends Declared</u>	<u>Rate Base Adjustments</u>	<u>Adjusted Capital Structure</u>	<u>Jurisdictional Factor</u>	<u>Jurisdictional Capital Structure</u>
LONG TERM DEBT	674,872,016	0.00	(46,828,429)	0	(146,030,796)	482,012,792	0.9758897	470,391,317
SHORT-TERM DEBT	47,562,303	0	0	0	(47,562,303)	0	0.9758897	0
PREFERRED STOCK	92,867,130	(1,060,871)	(6,949,754)	0	(15,176,300)	69,680,205	0.9758897	68,000,194
CUSTOMER DEPOSITS	23,795,247	0	0	0	(4,255,700)	19,539,547	0.9758897	19,068,443
COMMON EQUITY	719,958,452	(13,017,936)	(30,548,136)	11,326,923	(122,996,276)	564,723,027	0.9758897	551,107,381
ITC - ZERO COST	0	0	0	0	0	0	0.9758897	0
ITC - WEIGHTED COST	13,806,122	0	(2,687,389)	0	(1,988,548)	9,130,185	0.9758897	8,910,053
FASB 109 DIT	(538,800)	0	49,144	0	87,573	(402,083)	0.9758897	(392,389)
DEFERRED TAXES	261,703,568	0.00	(23,869,957)	0	(52,337,193)	185,496,418	0.9758897	181,024,042
<b>TOTAL</b>	<b>1,834,026,038</b>	<b>(14,078,807)</b>	<b>(110,834,520)</b>	<b>11,326,923</b>	<b>(390,259,543)</b>	<b>1,330,180,091</b>		<b>1,298,109,041</b>

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Gulf Power Company  
 Calculation of Monthly AFUDC Rate  
 Based on December 2007 Earnings Surveillance Report and 12.0% ROE

Schedule C

The formula used to discount the annual AFUDC rate to reflect monthly compounding is as follows:

$$M = \left\{ \left( 1 + \frac{A}{100} \right)^{1/12} - 1 \right\} \times 100$$

Where:

M= Discounted monthly AFUDC rate.

A= Annual AFUDC rate.

Using the requested rate of 7.65%

$$M = \left\{ \left( 1 + \frac{7.65}{100} \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ \left( 1 + 0.076500 \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ \left( 1.076500 \right)^{1/12} - 1 \right\} \times 100$$

$$M = \left\{ 1.00616183 - 1 \right\} \times 100$$

$$M = \left\{ 0.00616183 \right\} \times 100$$

$$M = \underline{\underline{0.616183}}$$

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