

**Susan D. Ritenour**  
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March 13, 2015

Mr. Bart Fletcher  
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 2015

Dear Mr. Fletcher:

Enclosed is Gulf Power Company's Forecasted Earnings Surveillance Report for the calendar year 2015.

Sincerely,

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

wb

enclosure

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

GOV 2-1-5-3

RECEIVED  
FLORIDA PUBLIC SERVICE  
COMMISSION  
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DIVISION OF  
ACCOUNTING & FINANCE

**FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
GULF POWER COMPANY  
2015**

**SCHEDULE 1**

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted
<b>I. Average Rate of Return</b>			
<b>(JURISDICTIONAL)</b>			
	(a)	(b)	
Net Operating Income	\$189,253,971	(\$76,359,684)	\$112,894,287
Average Rate Base	\$3,417,438,981	(\$1,421,615,245)	\$1,995,823,736
Average Rate of Return	5.54%		5.66%

(a) Includes AFUDC Earnings

(b) Includes Reversal of AFUDC Earnings

**III. Required Rates of Return**

Average Capital Structure  
(FPSC Adjusted Basis)

Low	5.30%
Midpoint	5.66%
High	6.02%

**IV. Financial Integrity Indicators**

A. T.I.E. With AFUDC	4.93 x (System per Books Basis)
B. T.I.E. Without AFUDC	4.66 x (System per Books Basis)
C. AFUDC To Net Income	10.46% (System per Books Basis)
D. Internally Generated Funds	99.70% (System per Books Basis)
E. LTD To Total Investor Funds	45.97% (FPSC Adjusted Basis)
F. STD To Total Investor Funds	3.12% (FPSC Adjusted Basis)
G. Return on Common Equity	10.25% (FPSC Adjusted Basis)

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
AVERAGE RATE OF RETURN  
RATE BASE  
GULF POWER COMPANY  
2015

SCHEDULE 2  
PAGE 1 OF 3

	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
<b>SYSTEM PER BOOKS</b>	4,717,920,966	1,601,735,997	3,116,184,969	15,560,289	372,832,899		3,504,578,157	247,936,423	3,752,514,580
<b>JURISDICTIONAL PER BOOKS</b>	4,230,930,201	1,449,308,766	2,781,621,435	15,105,076	361,759,112		3,158,485,622	258,953,359	3,417,438,981
<b>FPSC ADJUSTMENTS</b>									
ENVIRONMENTAL COST RECOVERY CLAUSE	(1,082,580,187)	(192,208,756)	(890,371,430)		(28,153,484)		(918,524,914)	(5,555,786)	(924,080,700)
INT BEARING CWIP					(305,369,092)		(305,369,092)		(305,369,092)
ENERGY CONSERVATION CLAUSE	(13,912,912)	6,773,597	(20,686,509)		(5,769)		(20,692,278)	(374,916)	(21,067,194)
TRANSMISSION INVESTMENT PURSUANT TO STIP. & SETT.	(122,278,905)		(122,278,905)				(122,278,905)		(122,278,905)
CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT								(2,152,990)	(2,152,990)
LOANS TO EMPLOYEES / RETIREES								(39,177)	(39,177)
INTEREST AND DIVIDENDS RECEIVABLE								(10,557)	(10,557)
FUNDED PROP RES, N. ESCAMBIA & OTHER INV.				(12,509,375)			(12,509,375)	(4,641,588)	(17,150,962)
FUEL RELATED DEFERRED DEBITS								(26,309,602)	(26,309,602)
UNAMORTIZED RATE CASE EXPENSES								(3,156,066)	(3,156,066)
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(1,218,772,004)</b>	<b>(185,435,159)</b>	<b>(1,033,336,845)</b>	<b>(12,509,375)</b>	<b>(333,528,345)</b>		<b>(1,379,374,564)</b>	<b>(42,240,681)</b>	<b>(1,421,615,245)</b>
<b>FPSC ADJUSTED</b>	<b>3,012,158,197</b>	<b>1,263,873,607</b>	<b>1,748,284,590</b>	<b>2,595,701</b>	<b>28,230,767</b>		<b>1,779,111,058</b>	<b>216,712,678</b>	<b>1,995,823,736</b>

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  
2015

SCHEDULE 2  
PAGE 2 OF 3

	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	1,556,023,231	653,705,311	369,474,849	119,479,682	116,684,148	36,754,400	55,901,070	(701,944)		1,351,297,516	204,725,715 (a)
JURISDICTIONAL PER BOOKS	1,345,829,539	521,493,008	353,033,770	108,090,653	114,638,053	35,697,251	41,560,328	(482,826)		1,174,030,238	171,799,301 (a)
LESS FPSC ADJUSTMENTS:											
RETAIL FUEL REVENUES & EXPENSES	(437,911,938)	(435,078,260)				(1,093,091)				(436,171,351)	(1,740,587)
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(86,203,439)	(86,135,290)				(26,288)				(86,161,579)	(41,860)
ENERGY CONSERVATION COST REVENUES & EXPENSES	(22,911,000)		(20,149,566)	(387,192)	(606,963)	(681,728)				(21,825,449)	(1,085,551)
ENVIRONMENTAL COST RECOVERY CLAUSE	(149,370,000)		(29,782,898)	(40,721,331)	(3,443,874)	(29,093,997)				(103,042,100)	(46,327,900)
FRANCHISE FEE REVENUE & EXPENSE	(43,705,221)					(433,621)				(43,014,744)	(690,477)
GROSS RECEIPTS TAX REVENUE & ADJUSTMENT	(33,010,953)					(9,168)				(32,996,354)	(14,599)
MARKETING SUPPORT ACTIVITIES			(181,250)			69,917				(111,333)	111,333
WHOLESALE EXPENSES		(279,458)				107,801				(171,657)	171,657
INSTITUTIONAL ADVERTISING EXPENSE			(583,184)			224,963				(358,221)	358,221
ECONOMIC DEVELOPMENT EXPENSE			(57,548)			22,199				(35,349)	35,349
MGMT FINANCIAL PLANNING SERVICES			(41,582)			16,040				(25,542)	25,542
DIRECTORS' & OFFICERS' INSURANCE			(99,774)			38,488				(61,286)	61,286
INDUSTRY ASSOCIATION DUES			(1,120)			432				(688)	688
TALLAHASSEE LIAISON EXPENSES			(488,059)		(42,192)	204,544				(325,707)	325,707
TRANSMISSION DEFERRED RETURN PURSUANT TO STIP. & SETT.				6,134,298		(2,366,306)				3,767,993	(3,767,993)
GRT, FPSC FEES ON CLAUSES & FEES					(1,552,333)	598,812				(953,520)	953,520
INTEREST SYNCHRONIZATION						7,279,349				7,279,349	(7,279,349)
TOTAL FPSC ADJUSTMENTS	(773,112,551)	(521,493,008)	(51,384,981)	(34,974,225)	(81,213,670)	(25,141,653)				(714,207,537)	(58,905,014)
FPSC ADJUSTED	572,716,988		301,648,789	73,116,429	33,424,383	10,555,598	41,560,328	(482,826)		459,822,701	112,894,287

(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY \$17,869,822 AND THE JURISDICTIONAL NOI BY \$17,454,670  
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  
2015

SCHEDULE 2  
PAGE 3 OF 3

RATE BASE ADJUSTMENTS	AMOUNT	NET OPERATING INCOME STATEMENT ADJUSTMENTS	AMOUNT	TAX EFFECT
ENVIRONMENTAL COST RECOVERY CLAUSE		FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(568,860,785)	(219,438,048)
INVESTMENT	(1,115,227,422)	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(153,810,014)	(59,332,213)
ACCUMULATED DEPRECIATION	198,005,172	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(86,203,439)	(33,252,977)
CWIP	(29,002,505)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(22,911,000)	(8,837,918)
ENERGY CONSERVATION COST RECOVERY		FUEL EXPENSE	(564,683,437)	217,826,636
INVESTMENT	(13,912,912)	PURCHASED POWER CAPACITY COST EXPENSE	(88,733,898)	34,229,101
ACCUMULATED DEPRECIATION	(6,773,597)	CONSERVATION EXPENSES -DEPRECIATION AND O & M	(20,536,758)	7,922,054
CWIP	(5,769)	CONSERVATION EXPENSES - OTHER TAXES	(606,963)	234,136
TRANSMISSION PURSUANT TO STIP. & SETT.		ENVIRONMENTAL COST RECOVERY EXPENSE	(76,047,517)	29,335,330
INVESTMENT	(122,278,905)	FRANCHISE FEE REVENUES	(43,705,221)	(16,859,289)
FAS 143 NET PLANT	(15,120,037)	FRANCHISE FEE	(42,581,123)	16,425,668
INTEREST BEARING CWIP	(312,632,162)	GROSS RECEIPTS TAX REVENUES	(33,010,953)	(12,733,975)
PHFU - NORTH ESCAMBIA	(12,886,363)	GROSS RECEIPTS TAX EXPENSE	(32,987,185)	12,724,807
WORKING CAPITAL:		MARKETING SUPPORT ACTIVITIES	(181,250)	69,917
ECRC WORKING CAPITAL	(5,723,331)	WHOLESALE EXPENSE	(287,976)	111,087
CONSERVATION/AEM INVENTORY	(374,916)	INSTITUTIONAL ADVERTISING EXPENSE	(594,673)	229,395
CAPITALIZED DEF. EARNINGS ON		ECONOMIC DEVELOPMENT EXPENSE	(57,548)	22,199
PURSUANT TO STIP. & SETT.	(2,247,062)	MGMT FINANCIAL PLANNING SERVICES	(42,500)	16,394
FUNDED PROPERTY RESERVE - NET	(0)	DIRECTORS' & OFFICERS' INSURANCE	(101,977)	39,338
LOANS TO EMPLOYEES AND RETIREES	(40,887)	INDUSTRY ASSOCIATION DUES	(1,142)	441
INTEREST & DIVIDENDS RECEIVABLE	(11,018)	TALLAHASSEE LIAISON EXPENSE	(541,970)	209,065
NORTH ESCAMBIA SITE	(4,844,395)	TRANSMISSION DEFERRED RETURN PURSUANT TO STIP. & SETT.	6,134,298	(2,366,306)
UNAMORTIZED RATE CASE EXPENSE	(3,293,966)	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,552,333)	598,812
FUEL RELATED DEFERRED DEBITS	(26,309,602)	INTEREST SYNCHRONIZATION	7,476,523	7,476,523
UNREALIZED LOSS ON FWD CONTRACT	(123)			
FAS 143 WORKING CAPITAL	26,004,252			
FAS 158 REGULATORY ASSETS	(76,427,407)			
FAS 158 REGULATORY LIABILITIES	76,427,407			
PPA REGULATORY ASSETS	(174,071,356)			
PPA REGULATORY LIABILITIES	174,071,356			
FAS 133 REGULATORY ASSETS	(72,536,645)			
FAS 133 REGULATORY LIABILITIES	72,536,645			

FLORIDA PUBLIC SERVICE COMMISSION  
 ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
 CAPITAL STRUCTURE  
 FPSC ADJUSTED BASIS  
 GULF POWER COMPANY  
 2015

SCHEDULE 3

AVERAGE	SYSTEM PER BOOKS	RETAIL PER BOOKS	ADJUSTMENTS		ADJUSTED RETAIL	RATIO (%)	LOW POINT		MIDPOINT		HIGH POINT	
			PRO RATA	SPECIFIC			COST RATE (%)	WEIGHTED COST <sup>1</sup> (%)	COST RATE (%)	WEIGHTED COST <sup>1</sup> (%)	COST RATE (%)	WEIGHTED COST (%)
LONG TERM DEBT	1,345,968,734	1,232,390,779	(512,640,144)	0	719,750,635	36.06	4.68	1.69	4.68	1.69	4.68	1.69
SHORT TERM DEBT	119,872,709	83,730,835	(34,829,574)	0	48,901,261	2.45	0.30	0.01	0.30	0.01	0.30	0.01
PREFERENCE STOCK	146,503,864	134,140,654	(55,798,398)	0	78,342,256	3.93	6.15	0.24	6.15	0.24	6.15	0.24
CUSTOMER DEPOSITS	35,292,611	35,573,800	(14,797,593)	0	20,776,207	1.04	2.30	0.02	2.30	0.02	2.30	0.02
COMMON EQUITY	1,336,196,381	1,230,322,673	(511,780,067)	0	718,542,606	36.00	9.25	3.33	10.25	3.69	11.25	4.05
DEFERRED INCOME TAXES	812,066,042	748,065,844	(311,174,518)	0	436,891,326	21.89						
FASB 109 DEFERRED TAXES	(53,180,048)	(48,988,285)	20,377,433	0	(28,610,852)	-1.43						
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00						
TAX CREDITS - WEIGHTED COST	2,432,418	2,337,513	(972,385)	0	1,365,128	0.07	6.92	0.00	7.40	0.01	7.87	0.01
<b>TOTAL</b>	<b>3,745,152,711</b>	<b>3,417,573,813</b>	<b>(1,421,615,245)</b>	<b>0</b>	<b>1,995,958,567</b>	<b>100.00</b>		<b>5.30 %</b>		<b>5.66 %</b>		<b>6.02 %</b>

TOTALS MAY NOT ADD DUE TO ROUNDING.

**FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
FINANCIAL INTEGRITY INDICATORS  
GULF POWER COMPANY  
2015**

**SCHEDULE 4**

**A. Times Interest Earned with AFUDC**

Earnings Before Interest	218,436,263
AFUDC - Debt	5,519,986
Income Taxes	<u>94,156,716</u>
Total	318,112,965
Interest Charges (Before Deducting AFUDC - Debt)	<u>64,478,606</u>
Tie With AFUDC	<u>4.93</u> x

**B. Times Interest Earned without AFUDC**

Earnings Before Interest	218,436,263
AFUDC - Other	(12,349,836)
Income Taxes	<u>94,156,716</u>
Total	300,243,143
Interest Charges (Before Deducting AFUDC - Debt)	<u>64,478,606</u>
Tie Without AFUDC	<u>4.66</u> x

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

AFUDC - Debt	5,519,986
X (1 - Income Tax Rate)	<u>0.6143</u>
Subtotal	3,390,651
AFUDC - Other	<u>12,349,836</u>
Total	<u>15,740,488</u>
Net Income Available for Common Stockholders	<u>150,475,142</u>
Percent AFUDC to Available Net Income	<u>10.46%</u>

**D. Percent Internally Generated Funds**

Net Income	159,477,642
Preference Dividends	(9,002,500)
Common Dividends	(130,160,000)
AFUDC (Debt & Other)	(17,869,822)
Depreciation & Amortization	124,122,741
Deferred Income Taxes	55,901,070
Investment Tax Credits	0
Other	<u>61,620,370</u>
Total	244,089,501
Construction Expenditures (Excluding AFUDC Other & Debt)	<u>244,819,291</u>
Percent Internally Generated Funds	<u>99.70%</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	719,750,635
Short Term Debt	48,901,261
Preference Stock	78,342,256
Common Equity	<u>718,542,606</u>
Total	1,565,536,758
% Long Term Debt To Total	<u>45.97%</u>
% Short Term Debt To Total	<u>3.12%</u>

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

<b>G. FPSC ADJ.</b>	
FPSC Adjusted Average Earned Rate of Return	<u>5.66%</u>
Less: Reconciled Average Retail Weighted Cost Rates For:	
Long Term Debt	(1.69)
Short Term Debt	(0.01)
Preference Stock	(0.24)
Customer Deposits	(0.02)
Tax Credits - Weighted Cost	(0.01)
Subtotal	<u>(1.97)</u>
Total	3.69
Divided by Common Equity Ratio	<u>36.00</u>
<b>Jurisdictional Return on Common Equity</b>	<u>10.25%</u>

TOTALS MAY NOT ADD DUE TO ROUNDING.

**FORECAST ASSUMPTIONS**

<u>Customers (Avg.)</u>	<u>2015 Forecast</u>	<u>2014 Actual</u>
Residential	390,481	386,765
Commercial	55,111	54,749
Industrial	266	258
Other	600	597
<b>Total</b>	<b>446,458</b>	<b>442,369</b>

KWH Sales (Territorial)

Residential	5,211,558,968	5,362,422,699
Commercial	3,841,114,392	3,838,148,070
Industrial	1,882,990,820	1,849,255,489
Other	347,731,507	340,871,970
Inter Departmental	0	0
<b>Total</b>	<b>11,283,395,687</b>	<b>11,390,698,228</b>

**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.

Susan D. Ritenour  
 Name  
 Corporate Planning Manager, Corporate Treasurer & Secretary  
 Title

*Susan D. Ritenour*  
 Signature  
 3/12/15  
 Date

**FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
GULF POWER COMPANY  
2015 FORECAST ASSUMPTIONS**

Attachment to Schedule 5

The forecast of energy sales for 2015 assumes the number of customers is expected to grow in 2015, reflecting a continuing recovery from the recession in the local economy. Economic projections were derived from Moody's Analytics, May 2014 data. Normal weather conditions are assumed for the year. Energy sales and peak demand forecasts include the effects of Gulf's conservation and other market place initiatives. The resulting 2015 sales forecast reflects our latest estimate of growth. Base rate revenues were calculated using the FPSC approved rates per Order No. PSC-13-0670-S-EI, issued December 19, 2013.

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 inflation and customer growth in addition to changing regulations and other changes to business processes and or requirements.

With the exception of the AMI meter depreciation life of 15 years and non-AMI meter amortization of 8 years, as ordered in Docket No. 110138-EI, depreciation and dismantlement expense is based on rates approved by the FPSC in Docket 090319-EI, Order No. PSC-10-0458-PAA-EI. These rates remain in effect pursuant to the terms of the Stipulation and Settlement Agreement approved by the Commission in Docket 130140-EI, Order No. PSC-13-0670-S-EI dated December 19, 2013.

Interest rate assumptions were based upon updated interest rate forecasts obtained from Moody's Analytics, September 2014 data.

FLORIDA PUBLIC SERVICE COMMISSION  
ELECTRIC FORECASTED EARNINGS SURVEILLANCE REPORT  
FORECAST ASSUMPTIONS  
GULF POWER COMPANY  
2015

Supplemental Schedule

(\$ 000's )

Projects Estimated To Exceed \$10,000,000 Commencing This Period

<u>Project Description</u>	<u>Estimated Total Cost</u>	<u>Estimated Construction Start Date</u>	<u>Estimated In - Service Date</u>
LONG TERM EVOLUTION (LTE)	19,257	January 2015	December 2022