

500 Bayfront Parkway  
Pensacola, FL 32520

Tel 904 444.6000

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July 25, 1997

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

Dear Ms. Bayo:

Re: Docket No. ~~970001-EI~~

Enclosed are an original and ten copies of the Prehearing Statement of Gulf Power Company in the above docket.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Statement in WordPerfect for Windows 6.1 format as prepared on a MS-DOS based computer.

ACK \_\_\_\_\_ Sincerely,

AFA Vandenberg  
APP \_\_\_\_\_ *Susan D. Cranmer*

CAF \_\_\_\_\_ Susan D. Cranmer

CMU \_\_\_\_\_ Assistant Secretary and Assistant Treasurer

CTR \_\_\_\_\_ lw

EAG \_\_\_\_\_  
LEG 1 Enclosures

EN 3  
cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

SEL 1

WAS \_\_\_\_\_

OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

07561 JUL 28 97

FPSC-RECORDS/REPORTING

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

|                                  |   |                      |
|----------------------------------|---|----------------------|
| IN RE: Fuel and Purchased Power  | ) | Docket No. 970001-EI |
| Cost Recovery Clauses and        | ) | Filed: July 28, 1997 |
| Generating Performance Incentive | ) |                      |
| Factor                           | ) |                      |

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PREHEARING STATEMENT OF GULF POWER COMPANY

Gulf Power Company, ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, and pursuant to Rule 25-22.038(3), Florida Administrative Code, files this prehearing statement, saying:

A. APPEARANCES:

JEFFREY A. STONE, Esquire, and RUSSELL A. BADDERS, Esquire, of Beggs & Lane, 700 Blount Building, 3 West Garden Street, P.O. Box 12950, Pensacola, FL 32576-2950  
On behalf of Gulf Power Company.

DOCUMENT NUMBER-DATE  
07561 JUL 28 97  
FPSC-RECORDS/REPORTING

B. WITNESSES: All witnesses known at this time, who may be called by Gulf Power Company, along with the subject matter and issue numbers which will be covered by the witness' testimony, are as follows:

| <u>Witness</u>              | <u>Subject Matter</u>                                                             | <u>Issues</u>                                       |
|-----------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------|
| (Direct)                    |                                                                                   |                                                     |
| 1. M. F. Oaks<br>(Gulf)     | Fuel Adjustment, true-up and projections                                          | 1, 2, 4                                             |
| 2. M. W. Howell<br>(Gulf)   | Purchased Power -- energy and capacity transactions, true-up and projections      | 1, 2, 4, 9,<br>10, 11, 12,<br>13, 18, 19,<br>21     |
| 3. S. D. Cranmer<br>(Gulf)  | Fuel Adjustment, true-up and projections; capacity costs, true-up and projections | 1, 2, 3, 4,<br>5, 6, 7, 8,<br>18, 19, 20,<br>21, 22 |
| 4. G. D. Fontaine<br>(Gulf) | GPIF, reward/penalty and targets and ranges                                       | 16, 17                                              |

C. EXHIBITS:

| <u>Exhibit Number</u> | <u>Witness</u> | <u>Description</u>                                                                                                                                                                                                                                                                                                                              |
|-----------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>(MFO-1)</u>        | Oaks           | Gulf Power Company Coal Suppliers<br>Oct. '96 - March '97                                                                                                                                                                                                                                                                                       |
| <u>(MFO-2)</u>        | Oaks           | Projected vs. actual fuel cost of<br>generated power Sept. '88 - March<br>'98                                                                                                                                                                                                                                                                   |
| <u>(MWH-1)</u>        | Howell         | Gulf Power Company -- Projected<br>Purchased Power Contract<br>Transactions Oct. '97 - Sept. '98                                                                                                                                                                                                                                                |
| <u>(MWH-2)</u>        | Howell         | Economy Purchase by Southern (Gulf<br>Power)                                                                                                                                                                                                                                                                                                    |
| <u>(SDC-1)</u>        | Cranmer        | Calculation of fuel cost recovery<br>final true-up, 10/96 through 3/97;<br>Calculation of capacity cost<br>recovery final true-up, 10/95<br>through 9/96; Calculation of<br>capacity cost recovery true-up and<br>interest provision, 10/95 through<br>9/96; Calculation of capacity cost<br>recovery interest provision, 10/95<br>through 9/96 |
| <u>(SDC-2)</u>        | Cranmer        | Schedules E-1 through E-12; H-1;<br>CCE-1; CCE-1a; CCE-1b                                                                                                                                                                                                                                                                                       |
| <u>(GDF-1)</u>        | Fontaine       | Gulf Power Company GPIF Results<br>Oct. '96 - March '97                                                                                                                                                                                                                                                                                         |
| <u>(GDF-2)</u>        | Fontaine       | Gulf Power Company GPIF Targets and<br>Ranges Oct. '97 - March '98                                                                                                                                                                                                                                                                              |

D. STATEMENT OF BASIC POSITION:

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the proposed fuel factors present the best estimate of Gulf's fuel expense for the period October 1997 through March, 1998 and the purchased power capacity expense for the period October 1997 through September 1998 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS:

Generic Fuel Adjustment Issues

ISSUE 1: What are the appropriate final fuel adjustment true-up amounts for the period October, 1996 through March, 1997?

GULF: Under recovery \$3,165,271. (Oaks, Howell, Cranmer)

ISSUE 2: What are the estimated fuel adjustment true-up amounts for the period April, 1997 through September, 1997?

GULF: Under recovery \$857,475. (Oaks, Howell, Cranmer)

ISSUE 3: What are the total fuel adjustment true-up amounts to be collected during the period October, 1997 through March, 1998?

GULF: Under recovery \$4,022,746. (Cranmer)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period October, 1997 through March, 1998?

GULF: 2.131¢/KWH. (Oaks, Howell, Cranmer)

**ISSUE 5:** What should be the effective date of the new fuel adjustment charge, oil backout charge and capacity cost recovery charge for billing purposes?

**GULF:** The new fuel factors should be effective beginning with the specified billing cycle and thereafter for the period October, 1997, through March, 1998. Billing cycles may start before October 1, 1997, and the last cycle may be read after March 31, 1998, so that each customer is billed for six months regardless of when the adjustment factor became effective.

The new capacity cost recovery factors should be effective beginning with the specified billing cycle and thereafter for the period October, 1997, through September, 1998. Billing cycles may start before October 1, 1997, and the last cycle may be read after September 30, 1998, so that each customer is billed for twelve months regardless of when the capacity cost recovery factor became effective. (Cranmer)

**ISSUE 6:** What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class?

**GULF:** See table below: (Cranmer)

| Group | Rate Schedules                     | Line Loss Multipliers |
|-------|------------------------------------|-----------------------|
| A     | RS, GS,<br>GSD, SBS<br>OSIII, OSIV | 1.01228               |
| B     | LP, SBS                            | 0.98106               |
| C     | PX, PXT, RTP,<br>SBS               | 0.96230               |
| D     | OSI, OSII                          | 1.01228               |

**ISSUE 7:** What are the appropriate Fuel Cost Recovery Factors for each rate group adjusted for line losses?

**GULF:** See table below: (Cranmer)

| Group | Rate Schedules*               | Fuel Cost Factors ¢/KWH |             |          |
|-------|-------------------------------|-------------------------|-------------|----------|
|       |                               | Standard                | Time of Use |          |
|       |                               |                         | On-Peak     | Off-Peak |
| A     | RS, GS, GSD, SBS, OSIII, OSIV | 2.157                   | 2.231       | 2.130    |
| B     | LP, LPT, SBS                  | 2.091                   | 2.162       | 2.064    |
| C     | PX, PXT, RTP, SBS             | 2.051                   | 2.121       | 2.025    |
| D     | OSI, OSII                     | 2.152                   | N/A         | N/A      |

\*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: customers with a Contract Demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; customers with a Contract Demand in the range of 500 to 7,499 KW will use the recovery factor applicable to Rate Schedule LP; and customers with a Contract Demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX.

**ISSUE 8:** What is the appropriate revenue tax factor to be applied in calculating each company's levelized fuel factor for the projection period of October, 1997 through March, 1998?

**Gulf:** 1.01609 (Cranmer)

**ISSUE 9:** How should the transmission costs be accounted for when determining the transaction price of an economy, Schedule C, broker transaction between two directly interconnected utilities?

**Gulf:** The production cost component of the economy sale is calculated by either averaging the seller's incremental production cost and the buyer's decremental production cost, or by using a mutually agreed upon market-based production cost component that is higher than the seller's incremental production cost, but lower than the buyer's decremental production cost. Then, the selling utility's transmission cost is added to the production cost component of an economy sale.  
(Howell)

**ISSUE 10:** If the cost of transmission is used to determine the transaction price of an economy, Schedule C, broker transaction between two directly interconnected utilities, how should the costs of this transmission be recovered?

**GULF:** For the seller, the transmission component of the economy sale is reflected in base rates and the fuel cost component of the economy sale is credited to the customer through the fuel clause. For the buyer, the full cost of the economy purchase is recovered through the fuel clause. (Howell)

**ISSUE 11:** How should the transmission costs be accounted for when determining the transaction price of an economy, Schedule C, broker transaction that requires wheeling between two non-directly interconnected utilities?

**GULF:** First, the production cost component of the economy sale is calculated by either averaging the seller's incremental production cost and the buyer's decremental production cost, or by using a mutually agreed upon market-based production cost component that is higher than the seller's incremental production cost, but lower than the buyer's decremental production cost. Then, the selling utility's transmission cost is added to the production cost component of an economy sale.

Finally, the third party's transmission wheeling cost is added to this transaction price and the sale occurs only if the total transaction price is below the non-directly interconnected utility's decremental cost. (Howell)

**ISSUE 12:** If the cost of transmission is used to determine the transaction price of an economy, Schedule C, broker transaction between two non-directly interconnected utilities, how should the costs of this transmission be recovered?

**GULF:** For the seller, the seller's transmission component of the economy sale and the third party's transmission wheeling cost are reflected in base rates, and the fuel cost component of the economy sale is credited to the customer through the fuel clause. For the buyer, the full cost of the economy purchase is recovered through the fuel clause. (Howell)

**ISSUE 13:** Does the 20% stockholder sharing of gains from economy energy sales continue to be necessary to encourage economy sales?

**GULF:** Yes. (Howell)

### **Company-Specific Fuel Adjustment Issues**

#### **Gulf Power Company**

NO COMPANY-SPECIFIC ISSUES WITH REGARD TO GULF POWER COMPANY HAVE BEEN RAISED IN THE PRELIMINARY LIST OF ISSUES AND POSITIONS SUBMITTED BY ANY PARTY AND RECEIVED BY GULF POWER COMPANY PRIOR TO THE FILING OF THIS PREHEARING STATEMENT

**Generic Generating Performance Incentive Factor Issues**

**ISSUE 16:** What is the appropriate GPIF reward or penalty for performance achieved during the period October, 1996 through March, 1997?

**GULF:** \$11,349 reward. (Fontaine)

**ISSUE 17:** What should the GPIF targets/ranges be for the period October, 1997 through March, 1998?

**GULF:** See table below: (Fontaine)

| Unit     | EAF  | POF  | EUOF | Heat Rate |
|----------|------|------|------|-----------|
| Crist 6  | 78.6 | 16.5 | 4.9  | 10,975    |
| Crist 7  | 83.2 | 4.9  | 11.9 | 10,521    |
| Smith 1  | 92.3 | 5.0  | 2.7  | 10,264    |
| Smith 2  | 79.6 | 17.6 | 2.8  | 10,318    |
| Daniel 1 | 67.8 | 18.7 | 13.5 | 10,428    |
| Daniel 2 | 88.4 | 4.9  | 6.7  | 10,235    |

EAF = Equivalent Availability Factor  
POF = Planned Outage Factor  
EUOF = Equivalent Unplanned Outage Factor

**Company-Specific GPIF Issues**

NO COMPANY-SPECIFIC ISSUES WITH REGARD TO GULF POWER COMPANY HAVE BEEN RAISED IN THE PRELIMINARY LIST OF ISSUES AND POSITIONS SUBMITTED BY ANY PARTY AND RECEIVED BY GULF POWER COMPANY PRIOR TO THE FILING OF THIS PREHEARING STATEMENT

Generic Capacity Cost Recovery Issues

ISSUE 18: What is the appropriate final purchased power capacity cost recovery true-up amount for the period October, 1995 through September, 1996?

GULF: Under recovery of \$201,368. The actual over recovery was included in Gulf's mid-course correction filing dated November 22, 1996. Therefore \$0 is included to be refunded in the period October 1997 through September 1998. (Howell, Cranmer)

ISSUE 19: What is the estimated purchased power capacity cost recovery true-up amount for the period October, 1996 through September, 1997?

GULF: Over recovery of \$2,791,701 is currently estimated for the period. However, an estimated over recovery of \$3,315,668 was included in Gulf's mid-course correction filed November 22, 1996. The difference between these two amounts, \$523,967, should be collected in the period October 1997 through September 1998. (Howell, Cranmer)

ISSUE 20: What is the total capacity cost recovery true-up amount to be collected during the period October, 1997 through September, 1998?

GULF: Under recovery \$523,967. (Cranmer)

ISSUE 21: What is the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period October, 1997 through September, 1998?

GULF: \$4,013,394. (Howell, Cranmer)

**ISSUE 22:** What are the appropriate capacity cost recovery factors for the period October, 1997 through September, 1998?

**GULF:** See table below: (Cranmer)

| <b>RATE CLASS</b>   | <b>CAPACITY COST RECOVERY FACTORS<br/>¢/KWH</b> |
|---------------------|-------------------------------------------------|
| <b>RB, RST</b>      | <b>.054</b>                                     |
| <b>GS, GST</b>      | <b>.052</b>                                     |
| <b>GSD, GSDT</b>    | <b>.039</b>                                     |
| <b>LP, LPT</b>      | <b>.035</b>                                     |
| <b>PX, PXT, RTP</b> | <b>.029</b>                                     |
| <b>OSI, OSII</b>    | <b>.013</b>                                     |
| <b>OSIII</b>        | <b>.031</b>                                     |
| <b>OSIV</b>         | <b>.065</b>                                     |
| <b>SBS</b>          | <b>.037</b>                                     |

**Company-Specific Capacity Cost Recovery Issues**

**Gulf Power Company**

NO COMPANY-SPECIFIC ISSUES WITH REGARD TO GULF POWER COMPANY HAVE BEEN RAISED IN THE PRELIMINARY LIST OF ISSUES AND POSITIONS SUBMITTED BY ANY PARTY AND RECEIVED BY GULF POWER COMPANY PRIOR TO THE FILING OF THIS PREHEARING STATEMENT

**F. STIPULATED ISSUES:**

**GULF:** Yet to be determined. Gulf is willing to stipulate that the testimony of all witnesses whom no one wishes to cross examine be inserted into the record as though read, cross examination be waived, and the witness's attendance at the hearing be excused.

**G. PENDING MOTIONS:**

**GULF:** None.

**H. OTHER MATTERS:**

**GULF:** To the best knowledge of counsel, Gulf has complied, or is able to comply, with all requirements set forth in the orders on procedure and/or the Commission rules governing this prehearing statement. If other issues are raised for determination at the hearings set for August 14-15, 1997, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 24th day of July, 1997.

Respectfully submitted,

  
\_\_\_\_\_  
**JEFFREY A. STONE**  
Florida Bar No. 325953  
**RUSSELL A. BADDERS**  
Florida Bar No. 7455  
**Beggs & Lane**  
P. O. Box 12950  
(700 Blount Building)  
Pensacola, FL 32576-2950  
(904) 432-2451  
**Attorneys for Gulf Power Company**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power Cost )  
Recovery Clause with Generating )  
Performance Incentive Factor )

Docket No. 970001-EI

Certificate of Service

I HEREBY CERTIFY that a true copy of the foregoing was furnished by hand delivery or the U. S. Mail this 25th day of July 1997 on the following:

Vicki D. Johnson, Esquire  
FL Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0863

Jack Shreve, Esquire  
Office of Public Counsel  
111 W. Madison St., Suite 812  
Tallahassee FL 32399-1400

James McGee, Esquire  
Florida Power Corporation  
P. O. Box 14042  
St. Petersburg FL 33733-4042

Matthew M. Childs, Esquire  
Steel, Hector & Davis  
215 South Monroe, Suite 601  
Tallahassee FL 32301-1804

Guzanne Brownless, Esquire  
Miller & Brownless, P.A.  
1311-B Paul Russell Road  
Suite 201  
Tallahassee FL 32301

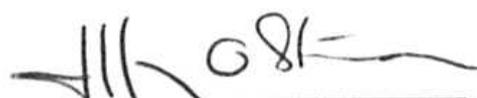
Joseph A. McGlothlin, Esq.  
McWhirter, Reeves, McGlothlin,  
Davidson, Rief & Bakas, P.A.  
117 S. Gadsden Street  
Tallahassee FL 32301

Lee L. Willis, Esquire  
James D. Beasley, Esquire  
Macfarlane Ausley Ferguson  
& McMullen  
P. O. Box 391  
Tallahassee FL 32302

John W. McWhirter, Jr., Esq.  
McWhirter, Reeves, McGlothlin,  
Davidson, Rief & Bakas, P.A.  
P. O. Box 3350  
Tampa FL 33601-3350

William B. Willingham, Esq.  
Rutledge, Ecenia, Underwood,  
Purnell & Hoffman, P.A.  
P. O. Box 551  
Tallahassee FL 32302-0551

Michael B. Twomey, Esquire  
P. O. Box 5256  
Tallahassee FL 32314-5256

  
\_\_\_\_\_  
JEFFREY A. STONE  
Florida Bar No. 325953  
RUSSELL A. BADDERS  
Florida Bar No. 0007455  
BEGGS & LANE  
P. O. Box 12950  
Pensacola FL 32576  
(904) 432-2451  
Attorneys for Gulf Power Company