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August 21, 2001

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: Docket No. 010827-EI

Enclosed are an original and fifteen copies of Gulf Power Company's Prehearing Statement to be filed in the above docket.

Also enclosed is a 3.5 inch double sided, high density diskette containing the Statement in Word 97 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

cc: Beggs and Lane
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER--DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Petition by Gulf Power Company for approval of purchased power arrangement regarding Smith Unit 3 for cost recovery through recovery clauses dealing with purchased capacity and purchased energy.

Docket No. 010827-EI
Date Filed: August 21, 2001

PREHEARING STATEMENT OF GULF POWER COMPANY

Gulf Power Company, (“Gulf Power”, “Gulf”, or “the Company”), by and through its undersigned attorneys, and pursuant to Order No. PSC-01-1532-PCO-EI and 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.

B. WITNESSES¹

<u>Witness Name</u> (Direct ²)	<u>Subject Matter</u>	<u>Issues</u>
1. M. W. "Bill" Howell	Gulf RFP Process; Smith Unit 3 Need Determination; description of Smith Unit 3; Gulf/Southern Power PPA; comparison of PPA to rate base treatment for Smith Unit 3; advantages of proposed purchased power arrangement	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 19
2. Maria J. Burke	Comparison of Gulf/Southern Power PPA to bids received by Gulf in RFP process held in connection with FPSC Docket 990325-EI (Smith Unit 3 Need Determination)	10, 14, 19
3. Ronnie R. Labrato	Gulf/Southern Power PPA; comparison of PPA to rate base treatment for Smith Unit 3; advantages of proposed purchased power arrangement	6, 8, 11, 12, 13, 15, 16, 18, 19

¹ This section of Gulf's prehearing statement is intended to comply with that portion of the order establishing procedure (Order No. PSC-01-1532-PCO-EI) requiring "... (a) The name of all known witnesses that may be called by the party, and the subject matter of their testimony ...".

² Including the supplemental direct testimony of M. W. Howell and Ronnie R. Labrato filed August 1, 2001.

C. EXHIBITS³

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Direct</u> ⁴			
Howell	Gulf	(MWH-1) —————	Smith Unit 3 Power Purchase Agreement (document number 07784-01 subject to pending request for confidential treatment dated 6/22/01)
Howell	Gulf	(MWH-2) —————	Listing of Assets to be transferred to Southern Power under the Asset Purchase and Sale Agreement (Gulf's response to Staff Interrogatory No. 3 dated 7/19/01)
Labrato/Howell	Gulf	(RRL/MWH-1) —————	Comparison of Purchased Power Arrangement and Rate Base Treatment of Smith CC Unit (document number 08090-01 subject to pending request for confidential treatment dated 6/29/01)
Labrato/Howell	Gulf	(RRL/MWH-2) —————	Letter Agreement between Gulf Power Company and Southern Power Company with attached Asset Purchase and Sale Agreement; Assignment and Assumption Agreement; Bill of Sale; Interconnection Agreement; and Operating Agreement

³ This section of Gulf's prehearing statement is intended to comply with that portion of the order establishing procedure (Order No. PSC-01-1532-PCO-EI) requiring ". . . (b) a description of all known exhibits, that may be used by the party, whether they may be identified on a composite basis, and the witness sponsoring each . . .".

⁴ Including the supplemental direct testimony of M. W. Howell and Ronnie R. Labrato filed August 1, 2001.

D. STATEMENT OF BASIC POSITION⁵

Gulf Power Company's Statement of Basic Position:

It is the basic position of Gulf Power Company that the ultimate issue in this case is whether Gulf's customers are to be obligated to pay the carrying costs of Smith Unit 3 over the entire life of the unit or, given the alternative available through the PPA, whether the Commission would prefer to secure the benefits of Smith Unit 3 over a reasonable planning horizon and preserve an option for Gulf's customers to be able to take advantage of other opportunities that may appear at the end of ten years (with regard to committed capacity) and twenty years (with regard to commitment to operate for voltage support). The Commission is being asked to decide whether the option presented by Gulf through the proposed purchased power arrangement is a reasonable response to the uncertainty the future holds with regards to wholesale electric power supplies. Gulf believes that the shorter commitment for Gulf's customers associated with the Gulf/Southern Power purchased power agreement ("PPA") means approval of the PPA would be in the best interests of Gulf's retail customers.

⁵ This section of Gulf's prehearing statement is intended to comply with that portion of the order establishing procedure (Order No. PSC-01-1532-PCO-EI) requiring "... (c) a statement of basic position in the proceeding ...".

E. STATEMENT OF ISSUES AND POSITIONS⁶

ISSUE 1: Is the proposed transfer of ownership of Smith Unit 3 to Southern Power consistent with Commission Order No. PSC-99-1478-FOF-EI, issued August 2, 1999, in Docket No. 990325-EI, the determination of need for Smith Unit 3?

GULF: Yes. The Commission determined that Smith Unit 3 satisfied the power supply and reliability needs of Gulf's customers in the most cost-effective manner when compared to the other alternatives identified in the RFP process required by Rule 25-22.082, Florida Administrative Code. Gulf's participation in the proposed purchased power arrangement still allows Smith Unit 3 to meet Gulf's needs consistent with the Commission's finding in its order. In other words, Gulf's capacity needs are being met by the same generating facility for which need was certified by the Commission. There is no restriction in Order No. PSC-99-1478-FOF-EI regarding transferability of ownership of Smith Unit 3. Gulf is not seeking an alteration of the Commission's determination of need for Smith Unit 3. To the contrary, the proposed purchased power arrangement secures the benefits of this capacity for Gulf's customers during the first ten years following the commercial in-service date of the new facility. This ten year window is consistent with the 10-year planning horizon contemplated by the Commission's Ten Year Site Plan filing requirements associated with the Florida Electrical Power Plant Siting Act ("PPSA") under which the certificate of need contained in Order No. PSC-99-1478-FOF-EI was issued. (Howell)

⁶ This section of Gulf's prehearing statement is intended to comply with that portion of the order establishing procedure (Order No. PSC-01-1532-PCO-EI) requiring ". . . (d) a statement of each question of fact the party considers at issue, the party's position on each such issue, and which of the party's witnesses will address the issue; (e) a statement of each question of law the party considers at issue and the party's position on each such issue; [and] (f) a statement of each policy question the party considers at issue, the party's position on each such issue, and which of the party's witnesses will address the issue . . .". The issues listed in this section were developed by the parties at two issue identification meetings held on 7/19/01 and 7/31/01. Although Issues 1 through 5 were listed as "Legal Issues", and Issues 6 through 19 were listed as "Technical Issues", Gulf believes that the issues listed present questions of fact or combination legal/factual and policy/factual questions and has treated them accordingly by listing the names of Gulf's witness(es) that will be prepared to address the factual component of each issue.

ISSUE 2: Must the Commission make the specific findings required by the Energy Policy Act of 1992, §15 USCA 79z-5a(c), before Smith Unit 3 can be transferred to Southern Power?

GULF: No. Southern Power is not an exempt wholesale generator (“EWG”) as that term is used in §15 USCA 79z-5a(c). (Howell)

ISSUE 3: Will Gulf’s proposed purchased power arrangement with Southern Power affect the Commission’s ability to direct Gulf Power to make additions or extensions of facilities to the plant and equipment at the Smith site pursuant to Section 366.05, Florida Statutes?

GULF: No. Gulf’s proposed purchased power arrangement does not unreasonably impair the Commission’s ability to direct Gulf Power to make new plant additions at Gulf’s Plant Smith site. Adequate land, water, and other facilities are available at the site to add additional generation that may be needed. Smith Unit 3 will exist at Plant Smith regardless of ownership. (Howell)

ISSUE 4: Must Gulf Power demonstrate changed circumstances since Order No. PSC-991478-FOF-EI was issued in order for Gulf’s petition to be approved?

GULF: No. As noted in Gulf’s response to Issue 1, Gulf is not seeking an alteration of the Commission’s determination of need for Smith Unit 3. To the contrary, the proposed purchased power arrangement secures the benefits of this capacity for Gulf’s customers during the first ten years following the commercial in-service date of the new facility. This ten year window is consistent with the 10-year planning horizon contemplated by the Commission’s Ten Year Site Plan filing requirements associated with the Florida Electrical Power Plant Siting Act (“PPSA”) under which the Commission’s determination of need was issued. (Howell)

ISSUE 5: Will the Commission have the same authority, pursuant to Section 366.04(2)(c), Florida Statutes, over the disposition of power from Smith Unit 3 into the Florida grid: A) If Smith Unit 3 is in the rate base of a Florida utility? B) If Smith Unit 3 is owned by Southern Power Company?

GULF: Yes. The Commission will have the same authority, pursuant to Section 366.04(2)(c), Florida Statutes, over the disposition of power from Smith Unit 3 into the Florida grid if Smith Unit 3 is owned by Southern Power Company as the Commission would have if Smith Unit 3 is in the rate base of Gulf Power. Gulf Power, as the purchaser of all capacity from Smith Unit 3 under the proposed purchased power arrangement, will have control over the disposition of power from Smith Unit 3. As a result, whatever authority the Commission has pursuant to Section 366.04(2)(c) over Gulf Power and the disposition of power from Smith Unit 3 into the Florida grid will be the same during the term of the proposed purchased power arrangement as it would be if Gulf were to retain ownership of Smith Unit 3 and this capacity were made a part of the Company's retail rate base. (Howell)

ISSUE 6: What is the projected difference in costs to Gulf's retail customers, if any, between Gulf Power's proposed purchased power arrangement with Southern Power, including the transfer of Smith Unit 3, and rate base treatment of Smith Unit 3?

GULF: The comparison in RRL/MWH-1 of the net present value of the estimated annual revenue requirements of rate base treatment of Smith Unit 3 and the net present value of the estimated annual payments to Southern Power under the proposed purchased power arrangement shows that the projected costs to Gulf's customers in either scenario is approximately the same. Since the quantitative comparison demonstrates that the two alternatives are approximately equivalent, the Commission should consider the non-quantifiable (qualitative) benefits of the PPA in its decision whether to approve the proposed purchased power arrangement for cost recovery through the purchased capacity and purchased energy cost recovery clauses. The benefits to Gulf's customers of the proposed purchased power arrangement relate to the 10-year term of the PPA compared to the much longer estimated life of Smith Unit 3, and the transfer of risks associated with ownership, such as unexpected cost increases, to Southern Power. At the end of the 10-year term of the capacity purchase under the PPA, Gulf's customers will be in a position to take advantage of any benefits that result from changes in the wholesale electric generation market that are anticipated in the next ten years.

The PPA with Southern Power, if approved, provides Gulf and its customers with a high degree of flexibility that is not otherwise possible with traditional rate base treatment of new capacity. (Howell, Labrato)

ISSUE 7: What is the projected difference in fuel costs to Gulf's retail customers, if any, between Gulf Power's proposed purchased power arrangement with Southern Power, including the transfer of Smith Unit 3, and rate base treatment of Smith Unit 3?

GULF: None. Although responsibility for fuel procurement will shift from Gulf to Southern Power if the PPA is approved, the actual administration of the fuel procurement for Smith Unit 3 will still be conducted by the fuel department of Southern Company Services just as it would if Gulf were to retain ownership of Smith Unit 3 as part of the Company's retail rate base. (Howell)

ISSUE 8: What risks and benefits to retail ratepayers should the Commission consider in deciding whether to grant Gulf's request for approval of the proposed purchase power arrangement with Southern Power regarding Smith Unit 3?

GULF: The Commission should consider the opportunities to benefit from reductions in costs such as those resulting from increased wholesale competition, technological development or other productivity improvements if Gulf's customers are only committed to Smith Unit 3 for ten years under the PPA as compared to the much longer estimated life of the plant if ownership of Smith Unit 3 is retained by Gulf and the unit is placed in the Company's retail rate base. In addition, the PPA shields Gulf's customers from the effects of unexpected cost increases that are inherent in the ownership and operation of a power plant, costs to which Gulf's retail customers would be more fully exposed if Smith Unit 3 were included as part of Gulf's retail rate base. (Howell, Labrato)

ISSUE 9: What is the difference, if any, in the impact of wholesale sales on Gulf's retail customers between Gulf Power's proposed purchase power arrangement with Southern Power, including the transfer of Smith 3, and rate base treatment of Smith 3?

GULF: None. In either case, it is just as if Gulf owned the unit. Gulf's customers will have first call on the full output of the generating unit at all times during the capacity purchase agreement. As a practical matter, there are no excess capacity sales projected to be made from Smith Unit 3. As noted in response to issues 1, 3 and 10, Smith Unit 3 was selected and built because it was identified as the most cost effective alternative available to serve the needs of Gulf's customers during the planning horizon. To the extent that opportunity sales are made from Smith Unit 3 during the term of the PPA, Gulf's customers will see the same benefits under the PPA as they would if Gulf were to retain ownership and place Smith Unit 3 in the Company's retail rate base. (Howell)

ISSUE 10: Based on the RFP process reviewed and approved by the Commission in Docket No. 990325-EI wherein the selection of Smith Unit 3 was recognized as a more cost-effective alternative to purchases from non-affiliated third parties, is the price to be paid by Gulf Power under the proposed purchased power arrangement with Southern Power no higher than the price Gulf would have paid to purchase power from a non-affiliate?

GULF: Yes. The price for capacity to be paid Southern Power if the proposed purchased power arrangement is approved is lower than the next best alternative identified through the RFP process reviewed as part of the Smith Unit 3 need determination process. Since the next best alternative was a purchased power arrangement proposed by a non-affiliate, clearly the Gulf/Southern PPA has a price for capacity that is no higher than the price Gulf would have paid a non-affiliate had the next best alternative identified in the RFP process been selected. (Howell, Burke)

ISSUE 11: Is it necessary that Gulf Power demonstrate its proposed purchased power arrangement with Southern Power regarding Smith Unit 3 would be the least cost alternative for its retail customers? If so, has Gulf made such a demonstration?

GULF: No. The appropriate standard is what is in the best interests of the retail customers. Such a determination requires an examination of both quantitative and non-quantitative comparisons of available alternatives. Strict adherence to a least cost selection process would not allow Gulf's customers to capture important qualitative benefits from purchased power arrangements. In the case of the Gulf/Southern Power PPA, the benefits of a ten-year term compared to a life of plant commitment for Smith Unit 3 will allow Gulf's customers to have access to any advantages that develop from increased competition in the wholesale electric generation market anticipated to occur over the next ten years. The Gulf/Southern Power PPA also shifts many risk elements from Gulf's retail customers to Southern Power. Given that the quantitative comparison of the two alternatives shows them to be approximately the same in regards to cost to Gulf's retail customers, it is in the best interests of Gulf's customers to choose the Gulf/Southern Power PPA alternative. (Howell, Labrato)

ISSUE 12: If Gulf's proposed purchased power arrangement (PPA) with Southern Power is approved for cost recovery, should the Florida Public Service Commission condition its approval upon there being no modifications to the PPA without the prior consent of the Florida Public Service Commission?

GULF: Yes. That is one of the reasons Gulf chose to seek the Florida Public Service Commission's approval first, before seeking the approval of the Federal Energy Regulatory Commission. Gulf Power does not intend to initiate or agree to any modifications to its purchased power agreement with Southern Power. In the event modifications become appropriate at some future date, Gulf agrees to bring proposed changes to the Florida Public Service Commission for review and approval before seeking to put such changes into effect. (Howell, Labrato)

ISSUE 13:⁷ If Gulf's proposed purchased power arrangement (PPA) with Southern Power is approved for cost recovery, should Gulf file any price changes permitted under the PPA with the Florida Public Service Commission for prior review as to compliance with the agreement and that the costs are prudently incurred?

GULF: Yes. Although the capacity price is essentially fixed for the 10-year life of the capacity purchase portion of the proposed purchased power arrangement, there are some limited circumstances outlined in the PPA that would result in prospective price adjustments for the remaining term. Gulf commits that it will bring such price adjustments to the Florida Public Service Commission for review to ensure that the terms of the contract have been properly and prudently applied. Unlike modifications to the contract addressed in Issue 12, these price adjustments are provided for under the terms of the contract itself and are intended to leave cost responsibility for such circumstances with Gulf Power and ultimately its retail customers just as it would if Gulf were to retain ownership of Smith Unit 3 and place the unit in the Company's retail rate base. The provisions in the contract that allow for these price adjustments under certain circumstances have been considered in the development of the capacity price agreed to by the parties. Any changes to these provisions would likely result in a change to the capacity price set forth in the contract. (Howell, Labrato)

ISSUE 14: Was it necessary that Gulf seek competitive bids for the purchase of power and voltage regulation before entering into the contract with Southern Power? If so, did Gulf comply with such bidding requirement?

GULF: Although it was not necessary for Gulf to seek competitive bids before entering into the proposed purchase power arrangement with Southern Power, the RFP process Gulf conducted as a prerequisite to the Smith Unit 3 need determination (Docket No. 990325-EI) constituted a competitive bidding process for the

⁷ Gulf has included the original wording of Issue 13 as it was stated on 7/31/01 rather than the alternative wording suggested by Staff in a memo dated 8/1/01. Staff's proposed rewording would require Gulf's position to be "no", since certain price changes are contemplated by the Gulf/Southern Power PPA and Gulf believes that it was the intent of the parties raising the issue to require that such changes be presented to the Commission for review as they occur. The original wording of the issue allows Gulf to agree to submit any price changes contemplated by the PPA to the FPSC for review. Staff's proposed rewording, if answered in the affirmative would either require rejection of the current PPA; an amendment of the contract to remove the provisions that allow for limited price changes during the life of the agreement under certain circumstances; or an interpretation of the Commission's affirmative vote on this issue to be "prior consent of the Florida Public Service Commission". Gulf does not believe that any of these three alternatives to have been the intent of the parties raising the issue and has therefore kept to the original wording.

purchase of power and voltage regulation as an alternative to the construction of Smith Unit 3 as required by Rule 25-22.082, Florida Administrative Code. Nothing in the rule or the governing statutes requires another RFP process after the Commission's need determination for Smith Unit 3 in order for Gulf to secure the Smith Unit 3 capacity for its retail customers through a purchased power arrangement. As a practical matter, the PPA with Southern Power for Smith Unit 3 provides the exact capacity for which need was certified by the Commission to Gulf's retail customers and is priced below the next best alternative identified through the RFP process. (Howell, Burke)

ISSUE 15: If Gulf's proposed purchased power arrangement with Southern Power is approved and Smith 3 is transferred, what assets will be transferred and what will be the transfer price?

GULF: The assets to be transferred are detailed in Exhibit MWH-2. The transfer price for these assets will be the investment amount (net book value) reflected on Gulf's books at the time of transfer. (Howell, Labrato)

ISSUE 16: Have Gulf Power's retail customers been charged to date with any costs associated with Smith 3? If so, how will Gulf's customers be compensated for these prior costs if the proposed purchased power arrangement is approved and Smith Unit 3 is transferred to Southern Power?

GULF: No. Smith Unit 3 is under construction and is expected to begin commercial operation by June 1, 2002. Costs incurred to date associated with Smith Unit 3 are included in the balance of construction work in progress ("CWIP"). Since the Smith combined cycle project is eligible for Allowance for Funds Used During Construction ("AFUDC"), it has been included in interest bearing CWIP and is excluded from Gulf's rate base during the construction period. However, there is \$119,000 of existing land at Plant Smith being used for Smith Unit 3 that has been included in rate base in the monthly surveillance reports and, if the PPA is approved, will be transferred to Southern Power. (Labrato)

ISSUE 17: As a matter of public policy, should a Florida regulated utility be allowed to construct a power plant for the benefit of a non-regulated affiliate when independent power producers cannot construct merchant plants in Florida, except under limited circumstances?

GULF: Gulf objects to this issue on the basis that it is not relevant to the determination pending before the Commission. The proposed purchased power arrangement between Gulf and Southern Power is entirely consistent with the Florida Supreme Court's decision in the litigation over the need determination for the Duke/New Smyrna Beach combined cycle project. Under either scenario (rate base or PPA), the Smith Unit 3 capacity will be dedicated to the need of Gulf's retail customers as determined by the Commission in Docket No. 990325-EI (the Smith Unit 3 need determination). (Howell)

ISSUE 18: If Gulf's petition is granted, what conditions, if any, should be imposed on Gulf due to the affiliate relationship between Gulf and Southern Power?

GULF: None other than those already imposed under existing state statutes, federal law and related rules and regulations imposed by appropriate state and federal agencies including the Florida Public Service Commission. (Labrato)

ISSUE 19: Should the Commission approve the proposed purchased power arrangement regarding Smith 3 for cost recovery through the cost recovery clauses designated for addressing the recovery of costs associated with purchased capacity and purchased energy?

GULF: Yes. The Company solicited competitive bids as part of the need determination process for Smith Unit 3. The proposed purchased power arrangement for Smith Unit 3 is priced below the closest alternative identified in that RFP solicitation. Under the proposed purchased power arrangement, Gulf's customers will be obligated to pay approximately the same amount for Smith Unit 3 capacity over the ten years covered by the PPA as they would otherwise be obligated to pay under base rates if ownership of Smith Unit 3 is retained by Gulf and the unit is placed in the Company's retail rate base. The purchased power proposal provides advantages to Gulf's retail customers by avoiding the obligation to pay for Smith Unit 3 during the entire life of the unit. Without Southern Power's participation, given the late stage of construction that Smith Unit 3 is in, Gulf would not be able to secure such advantages for its customers. (Howell, Burke, Labrato)

F. STIPULATED ISSUES⁸

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 MOTIONS⁹

GULF: As set forth in Gulf's August 13, 2001 response (DN 09866-01) to OPC's motion to compel response to discovery, Gulf asks that Gulf's August 8, 2001 objections (DN 09618-01) to OPC's production of documents ("POD") request nos. 8-19¹⁰, be upheld and that OPC's motion be denied so that this docket may proceed to hearing on September 5, 2001 without the compelled disclosure of any documents requested by OPC in its POD request nos. 8-19.

The following requests for confidential classification (or notices of intent) submitted by Gulf are still pending as of the date of this prehearing statement:

<u>Date filed</u>	<u>Document No.</u>	<u>Description</u>
06/22/2001	07783-01	Request for confidential classification of DN 07784-01 (Power Purchase Agreement between Gulf Power and Southern Power regarding Smith Unit 3).
06/29/2001	08089-01	Request for confidential classification of DN 08090-01 (Comparison of Purchase Power Arrangement and Rate Base Treatment of Smith CC Unit). [duplicate of DN 08115-01 and DN 08116-01, below]

⁸ This section of Gulf's prehearing statement is intended to comply with that portion of the order establishing procedure (Order No. PSC-01-1532-PCO-EI) requiring "... (g) a statement of issues that have been stipulated to by the parties ...".

⁹ This section of Gulf's prehearing statement is intended to comply with that portion of the order establishing procedure (Order No. PSC-01-1532-PCO-EI) requiring "... (h) a statement of all pending motions or other matters the party seeks action upon; [and] (i) a statement identifying the parties' pending requests or claims for confidentiality ...".

¹⁰ Gulf provided copies of documents responsive to items 15 and 16 to OPC on August 15, 2001 and by letter dated August 18, 2001, respectively.

<u>Date filed</u>	<u>Document No.</u>	<u>Description</u>
07/02/2001	08115-01	Request for confidential classification of DN 08116-01 (Comparison of Purchase Power Arrangement and Rate Base Treatment of Smith CC Unit). [duplicate of DN 08089-01 and DN 08090-01, above]
07/19/2001	08808-01	Request for confidential classification of DN 08809-01 (Response to Staff's 1st set of interrogatories, Nos. 10 and 46 and Staff's 1st request for production of documents, Nos. 9 and 11).
07/19/2001	08810-01	Notice of intent to request confidential classification of DN 08811-01 (Response to Staff's 1st request for production of documents, Nos. 10 and 15). [cross reference to DN 09612-01 the request for the response to No 15, DN 09613-01; Gulf's subsequent request regarding the response to No. 10 has been withdrawn]
08/08/2001	09612-01	Request for confidential classification of DN 09613-01 (Response to Item 15 of Staff's 1st request for production of documents). [cross reference to DN 08810-01 and DN 08811-01]
08/09/2001	09676-01	Notice of intent to request confidential classification of DN 09677-01 (Response to certain portion of Staff's request for production of documents, Nos. 16 and 20).
08/09/2001	09678-01	Request for confidential classification of DN 09679-01 (Responses to certain portions of Staff's 2nd set of interrogatories, Nos. 53 and 57).
08/21/2001	pending	Request for confidential classification of Gulf's response Staff's Interrogatory No. 62.

H. OTHER MATTERS¹¹

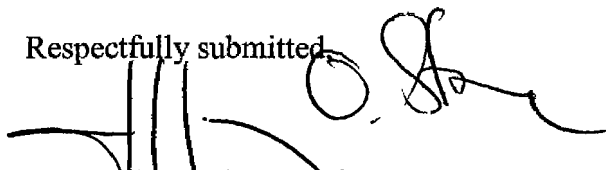
GULF: In the course of the hearing on September 5, 2001, Gulf intends to use or otherwise rely upon proprietary confidential business information, as that term is defined in Section 366.093, Florida Statutes. The proprietary confidential business information that Gulf intends to use or rely upon has been filed by Gulf with the Florida Public Service Commission pursuant to requests for confidential treatment and/or notices of intent to request confidential treatment. Such information is also governed by a non-disclosure agreement signed by counsel for the Florida Industrial Power User's Group ("FIPUG") and their consultants. When Gulf uses confidential information in the hearing, the Company will have copies for the Commissioners, necessary staff, counsel for interveners subject to the appropriate protective agreement/procedure, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. In order to avoid verbalizing confidential information in such a way that would compromise the confidential information, the confidential information will be presented by written exhibit whenever reasonably possible to do so. Also, whenever possible, the parties and the responding witness will refer to confidential information by page and section or line number when asking questions or providing responses. Otherwise, the parties and the responding witness are asked to place their questions and the responses in writing. The resulting documents will then be copied and distributed to the Commissioners and others in accordance with the foregoing procedure. Gulf is willing to meet with the parties prior to the hearing in an effort to reach agreements that will further refine the process for using confidential information in an effort to expedite conduct of the hearing itself.

¹¹ This section of Gulf's prehearing statement is intended to comply with that portion of the order establishing procedure (Order No. PSC-01-1532-PCO-EI) requiring notice by the prehearing conference of a party's intent to use proprietary confidential business information at the hearing and "... (j) a statement as to any requirement set forth in this order that cannot be complied with, and the reasons therefore."

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 hearing set for September 5, 2001, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 20th day of August, 2001.

Respectfully submitted,



JEFFREY A. STONE

Florida Bar No. 325953

RUSSELL A. BADDERS

Florida Bar No. 007455

Beggs & Lane

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(850) 432-2451

Attorneys for Gulf Power Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Gulf Power Company's petition for)
approval of purchased power arrangement) Docket No.: 010827-EI
regarding Smith Unit 3 for cost recovery)
through recovery clauses dealing with)
purchased capacity and purchased energy)
_____)

Certificate of Service

this 21st I HEREBY CERTIFY that a copy of the foregoing has been furnished
day of August 2001 by U.S. Mail or hand delivery to the following:

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Tallahassee FL 32399-0863

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