BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| IN RE: Fuel and Purchased Power Cost Recovery Clauses and Generating Performance Incentive Factor  | ))))) |  Docket No. 110001-EI Date Filed: October 11, 2011 |

 **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-11-0132-PCO-EI establishing the prehearing procedure in this docket, files this prehearing statement, saying:

A. APPEARANCES:

JEFFREY A. STONE, Esquire, RUSSELL A. BADDERS, Esquire, and STEVEN R. GRIFFIN, Esquire, of Beggs & Lane, P.O. Box 12950, Pensacola, FL 32591‑2950

On behalf of Gulf Power Company.

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:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Witness | Subject Matter | Issues |
| (Direct) |  |  |
| 1. | H. R. Ball(Gulf) | Fuel Adjustment, true‑upand projections; Purchased Power -- energy and capacity purchases and sales, true-up and projections | 4A, 4B, 4C, 6, 7, 8, 9, 27, 28, 31 |
| 2. | R. W. Dodd(Gulf) | Fuel Adjustment, true‑upand projections; Capacity, true-up and projections | 6, 7, 8, 9, 10, 11, 18, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, 34 |
| 3. | M. A. Young (Gulf) | GPIF reward/penalty and targets and ranges | 16, 17 |
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|  |  |  |  |
|  |  |  |  |

C. EXHIBITS:

|  |  |  |
| --- | --- | --- |
| Exhibit Number | Witness | Description |
| (HRB-1) | Ball | Coal Suppliers, Natural Gas Price Variance, Hedging Effectiveness, and Hedging TransactionsAugust 2010 - December 2010 |
| (HRB-2) | Ball | Projected vs. Actual Fuel Cost of Net Generation December 2001 - December 2010 |
| (HRB-3) | Ball | Hedging Information ReportJanuary 2011 - July 2011 |
| (HRB-4) | Ball | Risk Management Plan for Fuel Procurement for 2012 |
| (RWD-1) | Dodd | Calculation of Final True-Up and A-SchedulesJanuary 2010 - December 2010 |
| (RWD-2) | Dodd | Estimated True-UpJanuary 2011 - December 2011 |
| (RWD-3) | Dodd | ProjectionJanuary 2012 - December 2012 |
| (RWD-4) | Dodd | Revised CCE-4January 2011 - December 2011 |
| (MAY-1) | Young | Gulf Power Company GPIF Results January 2010 - December 2010 |
| (MAY-2) | Young | Gulf Power Company GPIF Targets and RangesJanuary 2012 - December 2012 |

D. STATEMENT OF BASIC POSITION:

**Gulf Power Company's Statement of Basic Position:**

It is the basic position of Gulf Power Company that the fuel and capacity cost recovery factors proposed by the Company present the best estimate of Gulf's fuel and capacity expense for the period January 2012 through December 2012 including the true-up calculations, GPIF and other adjustments allowed by the Commission.

E. STATEMENT OF ISSUES AND POSITIONS:

**I. FUEL ISSUES**

**COMPANY-SPECIFIC FUEL ADJUSTMENT ISSUES**

**ISSUE 4A:** Should the Commission approve as prudent, GULF’s actions to mitigate the volatility of natural gas, residual oil, and purchased power prices, as reported in GULF’s April 2011 and August 2011 hedging reports?

**GULF:** Yes. (Ball)

**ISSUE 4B**: Should the Commission approve Gulf’s 2012 Risk Management Plan?

**GULF:** Yes. (Ball)

**ISSUE 4C:** Was Gulf Power Company prudent in commencing and continuing litigation against Coalsales II, LLC for breach of contract?

### **GULF:** Yes.  Gulf Power prudently initiated and pursued litigation against Coalsales II, LLC (Coalsales) to remedy Coalsales' default under the coal supply agreement with Gulf based on the reasonable expectation that this litigation would result in reduced fuel costs for Gulf's retail customers.  The Commission has a long standing policy of encouraging all reasonable litigation that can reasonably be expected to result in reduced fuel costs for retail customers.  (See e.g., Order No. 18136 issued in Docket No. 870001-EI on September 10, 1987 at page 8).  The litigation costs associated with the litigation against Coalsales are appropriate for cost recovery in this docket. (Ball)

**GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6**: What are the appropriate actual benchmark levels for calendar year 2011 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** $1,004,362. (Dodd, Ball)

**ISSUE 7**: What are the appropriate estimated benchmark levels for calendar year 2012 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

**GULF:** $868,270. (Dodd, Ball)

**ISSUE 8**: What are the appropriate fuel adjustment true-up amounts for the period January 2010 through December 2010?

**GULF:** Under recovery $3,609,728. (Ball, Dodd)

**ISSUE 9**: What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2011 through December 2011?

**GULF:** Under recovery $8,441,457. (Ball, Dodd)

**ISSUE 10**: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2012 to December 2012?

**GULF:** Collection of $12,051,185. (Dodd)

**ISSUE 11**: What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2012 through December 2012?

**GULF:** $581,090,001 including prior period true-up amounts and revenue taxes. (Dodd)

**COMPANY-SPECIFIC GENERATING PERFORMANCE INCENTIVE FACTOR**

**ISSUES**

NONE RAISED BY GULF POWER COMPANY

**GENERIC GENERATING PERFORMANCE INCENTIVE FACTOR ISSUES**

**ISSUE 16:** What is the appropriate generation performance incentive factor (GPIF) reward or penalty for performance achieved during the period January 2010 through December 2010 for each investor-owned electric utility subject to the GPIF?

**GULF:** $645,511 reward. (Young)

**ISSUE 17**: What should the GPIF targets/ranges be for the period January 2012 through December 2012 for each investor-owned electric utility subject to the GPIF?

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Unit** | **EAF** | **POF** | **EUOF** | **Heat Rate** |
| Crist 4 | 97.7 | 0.0 | 2.3 | 11,479 |
| Crist 5 | 97.9 | 0.0 | 2.1 | 11,471 |
| Crist 6 | 74.8 | 19.7 | 5.6 | 11,457 |
| Crist 7 | 72.6 | 21.6 | 5.9 | 10,683 |
| Smith 1 | 93.6 | 0.0 | 6.4 | 10,628 |
| Smith 2 | 87.7 | 6.3 | 6.0 | 10,533 |
| Daniel 1 | 84.1 | 10.1 | 5.8 | 10,703 |
| Daniel 2 | 93.4 | 0.0 | 6.6 | 10,630 |
| EAF = Equivalent Availability Factor (%)POF = Planned Outage Factor (%)EUOF = Equivalent Unplanned Outage Factor (%) |

**FUEL FACTOR CALCULATION ISSUES**

**ISSUE 18**: What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2012 through December 2012?

**GULF:** $581,735,512 including prior period true-up amounts and revenue taxes. (Dodd)

**ISSUE 19**: What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility’s levelized fuel factor for the projection period January 2012 through December 2012?

**GULF:** 1.00072. (Dodd)

**ISSUE 20**: What are the appropriate levelized fuel cost recovery factors for the period January 2012 through December 2012?

**GULF:** 4.943 cents/kWh. (Dodd)

**ISSUE 21**: What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

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

|  |  |  |
| --- | --- | --- |
| **Group** | **Rate Schedules** | **Line Loss Multipliers** |
| A | RS, RSVP,GS,GSD, GSDT, GSTOU, OSIII, SBS(1) | 1.00525921 |
| B | LP, LPT, SBS(2)  | 0.98890061 |
| C | PX, PXT, RTP, SBS(3) | 0.98062822 |
| D | OSI/II | 1.00529485 |
| 1. Includes SBS customers with a contract demand in the range of 100 to 499 KW
2. Includes SBS customers with a contract demand in the range of 500 to 7,499 KW
3. Includes SBS customers with a contract demand over 7,499 KW
 |

**ISSUE 22**: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

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

|  |  |  |  |
| --- | --- | --- | --- |
| **Group** | **Rate Schedules**\* | **Line Loss Multipliers** | **Fuel Cost Factors ¢/KWH**  |
| **Standard** | **Time of Use** |
| **On-Peak** | **Off-Peak** |
| A | RS, RSVP,GS,GSD, GSDT, GSTOU, OSIII, SBS(1) | 1.00525921 | 4.969 | 5.828 | 4.612 |
| B | LP, LPT, SBS(2) | 0.98890061 | 4.888 | 5.733 | 4.537 |
| C | PX, PXT, RTP, SBS(3) | 0.98062822 | 4.847 | 5.685 | 4.499 |
| D | OSI/II | 1.00529485 | 4.917 | N/A | N/A |
| \*The recovery factor applicable to customers taking service under Rate Schedule SBS is determined as follows: (1) customers with a contract demand in the range of 100 to 499 KW will use the recovery factor applicable to Rate Schedule GSD; (2) 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 (3) customers with a contract demand over 7,499 KW will use the recovery factor applicable to Rate Schedule PX. |

**II. CAPACITY ISSUES**

**COMPANY-SPECIFIC CAPACITY COST RECOVERY FACTOR ISSUES**

NONE RAISED BY GULF POWER COMPANY

**GENERIC CAPACITY COST RECOVERY FACTOR ISSUES**

**ISSUE 27**: What are the appropriate capacity cost recovery true-up amounts for the period January 2010 through December 2010?

**GULF:** Over recovery of $1,217,382. (Ball, Dodd)

**ISSUE 28**: What are the appropriate capacity cost recovery true-up amounts for the period January 2011 through December 2011?

**GULF:** Over recovery of $7,179,724. (Ball, Dodd)

**ISSUE 29**: What are the appropriate total capacity cost recovery true-up amounts to be collected/refunded during the period January 2012 through December 2012?

**GULF:** Refund of $8,397,106. (Dodd)

**ISSUE 30**: What are the appropriate projected total capacity cost recovery amounts for the period January 2012 through December 2012?

**GULF:** $46,396,792. (Dodd)

**ISSUE 31**: What are the appropriate projected net purchased power capacity cost recovery amounts to be included in the recovery factor for the period January 2012 through December 2012?

**GULF:** $38,027,046 including prior period true-up amounts and revenue taxes. (Ball, Dodd)

**ISSUE 32**: What are the appropriate jurisdictional separation factors for capacity revenues and costs to be included in the recovery factor for the period January 2012 through December 2012?

**GULF:** 96.44582%. (Dodd)

**ISSUE 33**: What are the appropriate capacity cost recovery factors for the period January 2012 through December 2012?

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

|  |  |
| --- | --- |
| **RATE****CLASS** | **CAPACITY COST****RECOVERY FACTORS****¢/KWH** |
| RS, RSVP | 0.378 |
| GS | 0.345 |
| GSD, GSDT, GSTOU | 0.298 |
| LP, LPT | 0.260 |
| PX, PXT, RTP, SBS | 0.232 |
| OS-I/II | 0.138 |
| OSIII | 0.224 |

**III. EFFECTIVE DATE**

**ISSUE 34:** What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

**GULF:** The factors should be effective beginning with the specified environmental cost recovery cycle and thereafter for the period January 2012 through December 2012. Billing cycles may start before January 1, 2012 and the last cycle may be read after December 31, 2012, so that each customer is billed for twelve months regardless of when the adjustment factor became effective. (Dodd)

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:

None

H. PENDING CONFIDENTIALITY REQUESTS

1. Request for confidentiality filed March 1, 2011, relating to Schedule CCA-4 of Exhibit RWD-1 to the direct testimony of R. W. Dodd (DN 01344-11).

2. Requests for confidentiality filed March 1, 2011, relating to Schedule 2 of Exhibit HRB-1 to the direct testimony of H. R. Ball (DN 01346-11).

3. Request for confidentiality filed April 1, 2011, relating to Gulf’s Hedging Activity True-up Report (DN 02196-11).

4. Request for confidentiality filed April 1, 2011, relating to Gulf’s Form 423 for January, 2011 (DN 02194-11).

5. Request for confidentiality filed April 25, 2011, relating to Gulf’s Form 423 for February, 2011 (DN 02813-11).

6. Request for confidentiality filed May 26, 2011, relating to Gulf’s Form 423 for March, 2011 (DN 03701-11).

7. Request for confidentiality filed June 27, 2011, relating to Gulf’s responses to Staff’s Third Set of Interrogatories (DN 04416-11).

8. Request for confidentiality filed June 29, 2011, relating to Gulf’s Form 423 for April, 2011 (DN 04473-11).

9. Request for confidentiality filed June 29, 2011, relating to documents produced in connection with review of 2010 Fuel and Capacity Expenditures (DN 04475-11).

10. Request for confidentiality filed July 28, 2011, relating to Gulf’s Form 423 for May, 2011 (DN 05249-11).

11. Request for confidentiality filed August 1, 2011, relating to Schedule CCE-4 of Exhibit RWD-2 to the direct testimony of R. W. Dodd (DN 05352-11).

12. Request for confidentiality filed August 1, 2011, relating to Gulf Power’s Risk Management Plan for Fuel Procurement for 2012 (DN 05354-11).

13. Request for confidentiality filed August 15, 2011, relating to Gulf’s Hedging Information Report (DN 05772-11).

14. Request for confidentiality filed August 24, 2011, relating to Gulf’s Form 423 for June, 2011 (DN 06091-11).

15. Request for confidentiality filed September 1, 2011, relating to Schedule CCE-4 of Exhibit RWD-3 and RWD-4 to the direct testimony of R. W. Dodd (DN 06303-11).

16. Request for confidentiality filed September 28, 2011, relating to Gulf’s Form 423 for July, 2011 (DN 07022-11).

17. Request for confidentiality filed September 29, 2011, relating to Gulf’s responses to Staff’s Fifth Set of Interrogatories (DN 07077-11).

I. OTHER MATTERS:

**GULF:** To the best knowledge of counsel, Gulf has complied 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 November 1-3, 2011, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

 Dated this 11th day of October, 2011.

Respectfully submitted,

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