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# Public Service Commission

August 3, 2016

## STAFF'S FIRST DATA REQUEST

[jas@beggslane.com](mailto:jas@beggslane.com)

Jeffrey A. Stone, Esq.  
Beggs & Lane, R.L.L.P.  
PO Box 12950  
Pensacola, FL 32591-2950

RE: Docket No. 160158-EI -- Petition for approval of energy purchase agreement between Gulf Power Company and Morgan Stanley Capital Group Incorporated.

Dear Mr. Stone:

By this letter, the Commission staff requests that Gulf Power Company (Gulf) provide responses to the following data requests.

1. Please identify and discuss the differences between Gulf's 2015 and 2016 energy budgets, if any.
2. Please identify any terms within the proposed agreement that are intended to ensure the adequacy and reliability of electric service will not be adversely affected by the wind farm associated with the proposed agreement.
3. In paragraph 12 of its Petition, Gulf states that it anticipates receiving more than 6,878,000 RECs over the term of the agreement. Please explain in detail how Gulf the 6,878,000 anticipated number was determined.
4. In paragraph 12 of its Petition, Gulf states that it will receive all environmental attributes.
  - a. Please define or describe "environmental attributes."
  - b. Please provide an explanation of how the value of these items is determined, and how these interests are bought and sold.

5. In paragraph 12 of its Petition, Gulf asserts that, if it sells renewable attributes, the proceeds from such sales would be credited to Gulf's retail customers in the form of credits to the Fuel and Purchased Power Cost Recovery Clause. Please identify the specific A and E schedule(s) where such adjustments would be recorded.
  
6. In paragraph 12 of its Petition, Gulf states the sale of renewable attributes will be credited to Gulf's customers through the Fuel and Purchased Power Cost Recovery Clause. Please complete the table below projecting the anticipated proceeds that may result from the sale of renewable attributes and provide the requested table data electronically in MS Excel format with all formulas intact.

Year	Credit from the sale of Renewable Attributes (2016\$)	Impact on Customer Bill of 1,000 kwh (\$)
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		

7. In paragraph 16 of its Petition, Gulf states that the Net Present Value benefit to customers under the 2016 energy budget is approximately \$21 million in 2016 dollars. Please identify what assumptions Gulf relied upon when making these calculations.

8. In paragraph 16 of its Petition, Gulf states that it does not assign value for renewable energy credits or fuel diversity in its economic evaluation. Please explain why.
  
9. In paragraph 16 of its Petition, Gulf states its evaluations do not assign value for capacity.
  - a. Does Gulf project that approval of the agreement will defer the construction of future facilities?
  - b. If yes, please identify the future facility(ies) that may be deferred, and include the technology type, capacity (MW), and in-service date of each facility.
  
10. Please explain what strategic benefits, if any, there may be for Gulf having renewable energy credits?
  
11. Please explain what strategic benefits, if any, there may be for Southern Company having renewable energy credits?
  
12. Assuming approval of the Agreement and using Gulf’s 2016 energy budget, please complete the table below. Please provide the requested table data electronically in MS Excel format with all formulas intact.

Year	Annual Total Revenue Requirements w/ agreement (\$ Millions, 2016 \$)	Annual Total Revenue Requirements w/o agreement (\$ Millions, 2016 \$)	Cumulative Difference (\$ Millions, 2016 \$)	Differential in Customer Bill in 1000 kWh (\$)
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				

Year	Annual Total Revenue Requirements w/ agreement (\$ Millions, 2016 \$)	Annual Total Revenue Requirements w/o agreement (\$ Millions, 2016 \$)	Cumulative Difference (\$ Millions, 2016 \$)	Differential in Customer Bill in 1000 kWh (\$)
2033				
2034				
2035				
2036				
2037				

13. Assuming approval of the Agreement and using Gulf's 2016 energy budget, please provide the annual and cumulative values over the life of the project (in nominal and net present value) for each of the following categories:
- a. Fuel Savings;
  - b. Emissions Savings separated by type (CO2, etc.);
  - c. Avoided Replacement Costs;
  - d. Avoided Capacity Purchases, and
  - e. Avoided O&M.

Please provide the requested data electronically in MS Excel format with all formulas intact.

14. In paragraph 16 of Gulf's Petition, it states that the net present value to Gulf's customers under the 2016 energy budget evaluation total approximately \$21 M in 2016 dollars. Please provide the requested data below electronically in MS Excel format with all formulas intact.
- a. Please provide a sensitivity of the fuel savings based on a low fuel price forecast, base fuel price forecast, and a high fuel price forecast, all probabilistic metrics applied to such sensitivities and provide the annual and cumulative values (in nominal and net present value) for each category.
  - b. Please provide a sensitivity of the emissions savings with and without CO2 costs and provide the annual and cumulative values (in nominal and net present value) for each category.

15. Assuming approval of the Agreement, please complete the table below and provide the requested table data electronically in MS Excel format with all formulas intact.

Year	Avoided Natural Gas (MMBtu)	Avoided Coal (Tons)
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		

16. Assuming approval of the Agreement, please complete the table below and provide the requested table data electronically in MS Excel format with all formulas intact.

Year	Avoided CO2 (Tons)	Avoided NOX and SO2 (Tons)
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		

Year	Avoided CO2 (Tons)	Avoided NOX and SO2 (Tons)
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		

17. Please explain how Gulf intends to report and record the purchased power from this project for fuel cost recovery purposes? Please include an explanation of:
  - a. How this will be reported by line item on the A and E schedules, including A1, A2, A3, A 7, A8, A9 and corresponding E schedules; and
  - b. Each change or new entry.
  
18. Please state whether any of the costs of the purchased power and/or associated project costs will be recovered through any cost recovery clause besides the Fuel and Purchased Power Cost Recovery Clause, and provide an explanation for the response.
  
19. Please state whether any of the costs of the purchased power and/or associated project costs will be recovered through base rates, and provide an explanation for the response.
  
20. Please explain how Gulf intends to project the cost to be recovered in the Fuel and Purchased Power Cost Recovery Clause. Please state all assumptions and inputs.
  
21. Please state whether Gulf included CO<sub>2</sub> costs in its analysis of the proposed agreement?
  - a. If yes, please explain the basis for the CO<sub>2</sub> costs assumed and provide the Net Present Value savings of the proposed agreement assuming no CO<sub>2</sub> costs.
  - b. If no, please explain.

22. Assuming approval of the Agreement, please complete the table below and provide the requested table data electronically in MS Excel format with all formulas intact.

Energy Generation by Fuel Type (%)							
	Natural Gas	Oil	Coal	Solar	Wind	Other Renewables	Other
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							

23. Assuming the Agreement is not approved, please complete the table below and provide the requested table data electronically in MS Excel format with all formulas intact.

Energy Generation by Fuel Type (%)							
	Natural Gas	Oil	Coal	Solar	Wind	Other Renewables	Other
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							

The following questions are related to Fuel Forecasts:

24. Referring to page 8 of Gulf's Petition, please provide Gulf's system average annual delivered fuel price forecasts (in nominal \$/MMBtu) for natural gas and coal used to develop:
  - a. Gulf's net present value analysis in the instant proceeding;
  - b. Gulf's 2016 TYSP;
  - c. Gulf's 2015 TYSP; and
  - d. Gulf's June 2016 Renewable Standard Offer Contract.
25. Please explain all significant differences (i.e. changes) in fuel prices forecasts in Gulf's responses to Data Request Number 24, a-d above.
26. Please provide the methodologies Gulf used to prepare its delivered fuel price forecasts for natural gas and coal for the proposed contract term.
27. Referring to page 8 of Gulf's Petition, please provide Gulf's system average annual commodity fuel price forecasts (in nominal \$/MMBtu) for natural gas and coal used to develop:
  - a. Gulf's net present value analysis in the instant proceeding;
  - b. Gulf's 2016 TYSP;
  - c. Gulf's 2015 TYSP; and
  - d. Gulf's June 2016 Renewable Standard Offer Contract.
28. Explain all significant differences (i.e. changes) in fuel price forecasts in Gulf's responses to 27 A-D above.
29. Referring to page 8 of Gulf's Petition, please provide the most recent fuel price forecasts received from recognized independent consulting firms for domestic and imported coals and natural gas, and any other sources Southern Energy Services uses to compare such fuel price forecasts to its own fuel price forecasts through the term of the contract.
30. In paragraph 16 of Gulf's Petition, Gulf states that it assumed "moderate" natural gas prices. Please discuss Gulf's view of the variability in its natural gas price forecasts both in the short term and the long term, and quantify such variability where possible in terms of confidence intervals or other such probabilistic measures commonly used by SES.



31. Please provide Gulf's high and low price sensitivities for natural gas and coal for the term of the contract and all probabilistic metrics applied to such sensitivities.
32. Please provide Gulf's methodology for determining high and low price sensitivities for natural gas and coal.

Please file all responses electronically no later than August 31, 2016, at the Commission's website at [www.floridapsc.com](http://www.floridapsc.com), by selecting the Clerk's Office tab and Electronic Filing Web Form. Should you have any questions, please feel free to call me at (850) 413-6234.

Sincerely,

*/s/ Kelley F. Corbari*

Kelley F. Corbari  
Senior Attorney

KFC/nah

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