



**Gulf Power®**

April 8, 2020

Mr. Adam Teitzman, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket No. 20200001-EI

Dear Mr. Teitzman:

Attached for electronic filing is Gulf Power Company's response to Staff's First Data Request dated April 3, 2020 in the above-referenced docket.

Sincerely,

Richard Hume  
Regulatory Issues Manager

md

Attachments

cc: Gulf Power Company  
Russell Badders, Esq., VP & Associate General Counsel

For the purposes of the following requests, please refer to Gulf Power Company's (Gulf or Company) *Mid-Course Correction Petition* (Petition), filed April 1, 2020, in Docket No. 20200001-EI, and the Company's Fuel Cost Projection Filing for the Period January 2020 through December 2020, (Projection Filing), dated September 3, 2019, filed in Docket No. 20190001-EI,<sup>1</sup> and the Company's 2014-2019 Ten-Year Site Plans.

1. Please refer to page 2, paragraph 5, of the Petition.
  - a. Please confirm the system average delivered natural gas cost that is embedded in the Company's currently-approved fuel factor is \$3.39 per MMBtu.<sup>2</sup> If this is not the system average delivered natural gas cost that is embedded in the Company's currently-approved fuel factor, please specify what that figure is and how it compares to the projected figure provided in Gulf's response to Staff's Supplemental Data Request No. 1, Question No. 72, for the year 2020, in staff's review of the Company's 2019 Ten Year Site Plan.
  - b. Is the estimated average cost of natural gas, based on data at March 17, 2020, of \$2.57 per MMBtu, now representative of the Company's estimated effective cost of natural gas for the remainder of 2020 (May through Dec. 2020)? If not, please provide the estimated effective cost of natural gas for May through Dec. 2020.

RESPONSE:

- a. The embedded gas costs in Gulf Power's (Gulf's or Gulf) currently approved fuel factor is \$3.39 per MMBtu. This amount can be found on Schedule E-3, line 35 of Gulf's 2020 projection filing in Docket 20190001-EI.
- b. Yes, the updated estimated cost of natural gas of \$2.57/MMBtu as shown on Schedule E3, page 2, line 35 of Gulf's 2020 request for mid-course correction is representative of the Company's estimated effective cost of natural gas for the remainder of 2020 based on data available in March 2020.

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<sup>1</sup>Commission Document Nos. 01722-2020 and 08580-2019 respectively.

<sup>2</sup>Order No. PSC-2019-0484-FOF-EI, Issued November 18, 2019, in Docket No. 20190001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

2. Please specify both the numerator and denominator used to calculate the projected 14.7 percent over-recovery figure as shown on page 3, paragraph 8, of the Petition. Please also discuss the derivation of both figures used in the calculation.

RESPONSE:

The calculation of the 14.7% variance is detailed below and was calculated as of the projected December 2020 over-recovery.

$$\frac{\textit{Projected Over – Recovery}}{\textit{Projected Fuel Revenue Applicable to Period}} =$$

$$\frac{\textit{2019 Final True – Up + Projected over recovery 2020 + projected 2020 Interest Amount}}{\textit{Projected Fuel Revenue Applicable to Period}}$$

$$\frac{\$8,868,596^3 + \$41,951,970^4 + \$452,457^5}{\$348,526,474^6} = \frac{51,273,023^7}{348,526,474} = 14.7\%$$

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<sup>3</sup> 2019 Final True Up filing, Docket 20200001-EI, Exhibit RLH-1, Schedule 1, line 3

<sup>4</sup> 2020 Midcourse Correction Schedule E1B, line C6

<sup>5</sup> 2020 Midcourse Correction Schedule E1B, line C7

<sup>6</sup> 2020 Midcourse Correction Schedule E1B, line C3

<sup>7</sup> 2020 Midcourse Correction Schedule E1A, line 3

3. Has the Company revised any planned power purchases due to any possible updated pricing and availability of market power purchases? If so, please discuss.

RESPONSE:

Gulf updated its projections for purchased power (Schedule E6), and economy purchases (Schedule E9) as part of the mid-course correction filing as these schedules were impacted by updated fuel prices and input assumptions.

4. Please briefly discuss how this petition effects the Company's non-residential classes of service. Are there "typical" levels of credit these rate classes should expect to receive?

RESPONSE:

Below is a chart that shows how the May credit will impact select non-residential customers. The variances below can vary based on the customer usage profile.

Summary	Jan - Feb 2020	May 2020	May 2020 Increase + / Decrease -	% Decrease
SMALL COMMERCIAL BILL COMPARISON (GS) 1,500 kWh; Example Customers: Store Front Office	\$212.62	\$128.03	\$(84.59)	-40%
SMALL COMMERCIAL BILL COMPARISON (GSD); 50 kW 48% Load Factor (17,520 kWh); Example Customers: Bank Branch Office, Small Retail Store (7-11)	\$1,814.35	\$826.37	\$(987.98)	-54%
MEDIUM COMMERCIAL BILL COMPARISON (LP) 600 kW, 50% Load Factor (219,000 kWh) Example Customers: Schools, Department Stores	\$22,775.04	\$10,591.48	\$(12,183.56)	-53%
LARGE COMMERCIAL BILL COMPARISON (LP) 2,800 kW, 55% Load Factor (1,124,200 kWh) Example Customers: Hospitals, Large Hotels	\$111,432.53	\$48,890.36	\$(62,542.17)	-56%

5. Other than the billing notice indicated on page 5, paragraph 12, of the Petition, please describe any other Company efforts in notifying its customers of the proposed action it has requested through its Petition. Please also provide copies of any notifications that were previously or will be sent to customers regarding the actions requested in the Petition.

RESPONSE:

In addition to the message on customer bills in April, Gulf Power has notified its customers about the proposed one-time fuel charge reduction in a number of ways. See page 2 of Staff's First Set of Interrogatories Item No. 5:

- A [press release](#) issued March 30, 2020, which resulted in stories on local television, radio and newspaper stations across our service area.
- Posts on our social media channels, which we continue to share and boost. See pages 3 through 5 of Staff's First Set of Interrogatories Item No. 5.
- An April 2, 2020, email to all customers with an email address on file. See page 6 of Staff's First Set of Interrogatories Item No. 5.
- Included as part of a [special section](#) on Gulf's website about actions we are taking to help support customers during the COVID-19 pandemic.
- Another message on all customer bills is planned for May.



**Electric Bill Statement**

**For:** Mar 3, 2020 to Apr 1, 2020 (30 days)

**Statement Date:** Apr 1, 2020

**Account Number:** [REDACTED]

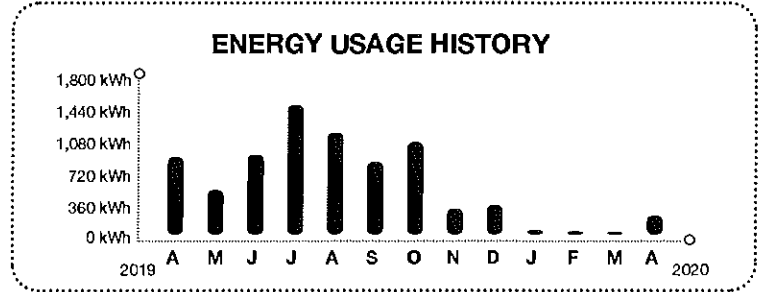
**Service Address:**  
[REDACTED]

Hello [REDACTED],  
Here's what you owe for this billing period.

**CURRENT BILL**

**\$46.37**  
TOTAL AMOUNT YOU OWE

**4/22/20**  
NEW CHARGES DUE BY



**BILL SUMMARY**

Amount of your last bill	24.29
Payment(s) received - thank you	-24.29
Balance before new charges	0.00
Total new charges	46.37
<b>Total amount due</b>	<b>\$46.37</b>

*(See reverse for billing details)*

Visit [GulfPower.com/PayBill](http://GulfPower.com/PayBill) for ways to pay

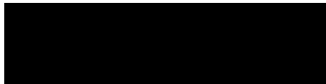
**We're here to help**  
If you are experiencing a hardship as a result of the coronavirus (COVID-19) and need help with your bill, there are resources available.  
[GulfPower.com/Help](http://GulfPower.com/Help)

**Lowering your bill in May**  
We're proposing a one-time decrease of approximately 40% for the typical residential customer bill in May.  
[GulfPower.com/Help](http://GulfPower.com/Help)

Customer Service: 800-225-5797  
To Report Power Outages: 800-487-6937



#BWCDRHG  
#6B912E001231571#



Please request changes at [GulfPower.com/Upgrade](http://GulfPower.com/Upgrade).

Make check payable to Gulf Power in U.S. funds and mail along with this coupon to:

GULF POWER  
P.O. BOX 29090  
MIAMI FL 33102-9090



[REDACTED]  
ACCOUNT NUMBER

\$46.37  
TOTAL AMOUNT OWED

Apr 22, 2020  
NEW CHARGES DUE BY

\$  
AMOUNT ENCLOSED


# Gulf Power

## Social media for midcourse correction

### Facebook

**Gulf Power Company**  
March 30 at 10:18 AM · 🌐

We're working to fast-track new fuel savings to you through a one-time bill decrease of 40% in May. We think it's important to get more money in your pocket as quickly as possible.  
**#PoweringThruTogether** <https://www.gulfpowernews.com/bill-relief-covid-19/>

 **Gulf Power** COVID-19 Update

**Gulf Power Company**  
Electric Utility Provider Learn More

👍❤️😮 You and 386 others 81 Comments 101 Shares

❤️ Love 💬 Comment ➦ Share



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Log In Sign Up

**Lowering bills by nearly 40% in May**

**Gulf Power** | We're here to help

**gulfpower** • Follow

**gulfpower**  
As Floridians, neighbors, friends and family, we are in this together. You can count on us. Learn more: [www.gulfpower.com/Help](http://www.gulfpower.com/Help) #PoweringThruTogether

3d

**pensacolachamber** Thank you @gulfpower!

1d Reply

15 likes

3 DAYS AGO

Log in to like or comment.

Twitter



Twitter





A message from Gulf Power President Marlene Santos

[View in Browser](#)[Update Email](#)

## We are here for you

The Gulf Power team is working quickly to find more ways to help our customers through this coronavirus (COVID-19) crisis. Our goal is to support our customers — families and businesses — in ways that you need it most.

### Gulf Power's latest efforts to support Northwest Florida

- **Providing bill relief to customers**  
This week we announced our plan to significantly lower bills for customers amid the ongoing COVID-19 pandemic. Subject to Florida Public Service Commission approval, beginning May 1, Gulf Power plans to issue a [one-time decrease](#) of approximately 40% for the typical May residential customer bill as a result of lower fuel costs. Our business customers will also see a significant one-time decrease in May, depending on usage and rate class.
- **Helping local small businesses across Northwest Florida**  
Made possible by an initial grant of \$250,000 from Gulf Power through our economic development fund, the Florida Small Business Development Center (SBDC) at the University of West Florida is launching the Northwest Florida [Small Business COVID-19 Recovery Grant Program](#). The grant will provide up to \$5,000 to help offset losses that small businesses across our communities may be experiencing as a result of the ongoing COVID-19 pandemic.
- **Supporting those who need it most**  
This week, the Gulf Power Foundation gave [\\$500,000 to United Way](#) organizations across Northwest Florida. The funds will be used to address increased demand for services as a result of the COVID-19 pandemic. We are committed to working with the United Way so they can continue to assist those most vulnerable during this time.
- **Project SHARE program offers way to help others**  
For those who want to help others who may need assistance with their energy bill, we encourage you to [make a donation](#) to our Project SHARE program. All contributions are distributed to local offices of The Salvation Army, and customers in need apply for Project SHARE assistance at The Salvation Army office in their county.

We are grateful to be able to help our customers and our Northwest Florida communities in these ways. As a reminder, we will also continue to suspend disconnections and assist with extended payment arrangements for as long as Florida remains under a state of emergency. If you need additional assistance, please [visit our website](#) for more information.

Again, please know that we are with you during this crisis and we will never stop delivering the reliable service that you count on, each and every day. Our team is dedicated to continuing to find innovative ways to support this community as we move through these uncertain and unprecedented times together.

Sincerely,  
Marlene Santos  
President, Gulf Power

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Please do not reply to this email. This address is not monitored.

For help, visit [GulfPower.com](#)

You are receiving this email because you are a Gulf Power customer. Please add [Account@email.gulfpower.com](mailto:Account@email.gulfpower.com) to your address book or you can [unsubscribe](#) at any time.

[Update Profile](#)[Contact Us](#)[Privacy Policy](#)

Gulf Power Company

One Energy Place, Pensacola, FL 32520

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6. Please specify the exact range/beginning and ending dates of Gulf's May 2020 billing cycle.

RESPONSE:

Gulf's May 2020 billing cycle will begin 4/30/20 and end 6/1/20.

7. Although the Petition does not address coal, has the Company's projected costs for this type of fuel meaningfully/significantly changed for 2020? If so, please explain.

RESPONSE:

The amount of coal projected did not significantly change. The coal price filed in Gulf's 2020 projection filing in Docket 20190001-EI was \$63.84/ton and the price used in the midcourse correction is slightly lower at \$60.04/ton, a decrease of 5.95 percent.

8. Please discuss whether the Company plans on instituting any different processes, procedures, and/or measures related to fuel cost and fuel revenue forecasting as a result of requiring a mid-course correction of its fuel-related charges. If so, please explain.

RESPONSE:

The Company does not plan on instituting any different process, procedures or measures related to fuel cost and fuel revenue forecasting as a result of requiring a mid-course correction of the fuel-related charges.

9. Please clarify whether the one-time refund will be shown as a separate line item on customers' bills or as a reduction in the fuel factor.

RESPONSE:

Gulf's one-time refund will be shown as a separate line item on the customer's bill.

10. Please identify the sources and dates of Gulf's underlying fuel price forecast used in support of its currently-approved system fuel factor.<sup>8</sup>

RESPONSE:

Gulf utilized natural gas prices that were sourced from NYMEX Henry Hub forward prices as of the close of business on March 17, 2020. The coal prices were sourced from current market offers as of March 12, 2020. The oil prices were sourced from JP Morgan futures of Ultra-Low Sulfur Distillate (ULSD) on February 25, 2020.

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<sup>8</sup>*Id.*



11. Please discuss Gulf's fuel forecasting methodology. Please also remark on the approximate length of time the Company has employed this same or very similar fuel forecasting methodology for business planning purposes.

RESPONSE:

The normal forecasting process for short-term forecasts is executed by Southern Company Services (SCS) Fuel Services, on behalf of Gulf Power, in June of each year for use in the system's fuel budgeting process and marginal pricing dispatch procedures. For the mid-course correction analysis, SCS prepared the short-term (current year +1) fuel price forecast. This methodology utilizes forward commodity price curves and current market offers (coal) to project fuel costs in its annual filings in the Fuel Clause. The basic assumption made with respect to using the forward curves and current market offers is that all available data that could impact the price of fuels in the short-term is incorporated into these price sources at all times. Site-specific transportation costs were developed for existing units to produce delivered price forecasts for the fuel budget process.

SCS, on behalf of Gulf Power has used this fuel forecasting method for the past 10 years.

12. Please identify the date, if known, of Gulf's next/updated fuel price forecast that will be used for business planning purposes.

RESPONSE:

The next updated fuel price forecast for natural gas will be conducted in June 2020 and will be reported in the Company's 2020 Fuel Actual/Estimated filing due to the Commission on July 27, 2020.

13. Does Gulf compare its fuel price forecast to any other publicly available source of forecasted fuel prices, such as the Energy Information Administration? If so, please discuss the results of any analysis performed.

RESPONSE:

Gulf utilizes forward commodity price curves and current market offers (coal) to project fuel costs in its annual filings in the Fuel Clause. The basic assumption made with respect to using the forward curves and current market offers is that all available data that could impact the price of fuels in the short-term is incorporated into these price sources at all times. Gulf believes that forward curves and current market offers are a valid representation of expected fuel prices in the short-term and, consequently, Gulf believes that comparisons to other forecasts are not necessary.

14. Did Gulf perform a sensitivity analysis of its fuel price forecast for the purposes of determining the validity of its expected annual fuel cost? If the response is negative, please explain why the Company did not perform such an analysis.

RESPONSE:

Gulf did not perform a sensitivity analysis of the fuel price forecast that was utilized to develop its expected fuel costs for this mid-course correction filing. Overall, fuel cost projections that Southern Company Services (SCS), on behalf of Gulf Power, develops for the purpose of calculating Fuel Cost Recovery Clause factors are short-term in nature. The forward curves for natural gas and fuel oil that Gulf uses in developing its fuel cost projections, as well as current coal market offers, represent expected future prices at a given point in time. The basic assumption made with respect to using the forward curves and current market offers is that all available data that could impact the price of natural gas in the short-term is incorporated into the curves and current offers at all times.

Gulf believes that forward curves are a valid representation of expected fuel prices in the short-term and therefore, the fuel cost projections Gulf develops using these sources are valid. Furthermore, to the extent that fuel prices change dramatically in the short-term, the mid-course correction mechanism provides the opportunity for a utility to correct its factors to more accurately reflect current market conditions.

15. Please provide the percent error in Gulf's delivered natural gas price forecasts out 3 to 5 years for 2017 through 2019, using the data found in the Company's Ten-Year Site Plans, by populating the following tables:

**Natural Gas Price Forecasts**

Year	Natural Gas Price Annual Forecast (\$/MMBtu)		
	Years Prior		
	5	4	3
2017			
2018			
2019			
Average			

**Accuracy of Natural Gas Price Forecasts**

Year	Natural Gas Price Annual Forecast Error Rate (%)		
	Years Prior		
	5	4	3
2017			
2018			
2019			
Average			

**Natural Gas Price  
Actuals**

Year	Actual Natural Gas Price (\$/MMBtu)
2017	
2018	
2019	

RESPONSE:

As discussed in the Company's Ten-Year Site Plan, the natural gas price forecasts included in these tables represent Gulf's long term price projections and therefore are not pertinent to either

mid-course correction filings or the annual fuel clause projection filings. The price forecast projections included in the Company's Ten-Year Site Plans utilize Gulf's long term forecast methodology which forecasts prices beyond 40 years. In contrast, the fuel price forecast methodology used to develop natural gas price projections for the fuel clause relies on short-term forward curves. These forward curves reflect market closing prices that are typically within a few months of the applicable period for which Gulf is developing fuel cost projections.

**Natural Gas Price Forecasts**

Year	Natural Gas Price Annual Forecast (\$/MMBtu)		
	Years Prior		
	5	4	3
2017	\$7.57	\$6.23	\$5.12
2018	\$6.56	\$5.54	\$5.21
2019	\$5.93	\$5.77	\$4.74
Average	\$6.69	\$5.85	\$5.02

**Accuracy of Natural Gas Price Forecasts**

Year	Natural Gas Price Annual Forecast Variance (%)		
	Years Prior		
	5	4	3
2017	49%	38%	25%
2018	39%	28%	23%
2019	41%	40%	27%
Average	43%	35%	25%

**Natural Gas Price  
Actuals**

Year	Actual Natural Gas Price (\$/MMBtu)
2017	\$3.85
2018	\$3.99
2019	\$3.47

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No.: **20200001-EI**

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 8th day of April, 2020 to the following:

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