

Gulf Power Company  
500 Bayfront Parkway  
Post Office Box 1151  
Pensacola, FL 32520-0781  
Telephone 904-444-6231

ORIGINAL  
FILE COPY

Susan D. Cranmer  
Assistant Secretary and  
Assistant Treasurer

*the southern electric system*

August 9, 1996

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. 960001-EI

ACK \_\_\_\_\_ Enclosed are an original and fifteen copies of the Prehearing Statement of Gulf  
AFA 3 \_\_\_\_\_ Power Company in the above docket.

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

Bas Sincerely,

1 \_\_\_\_\_  
3 \_\_\_\_\_ Susan D. Cranmer

RECEIVED & FILED

lw

1 \_\_\_\_\_  
FPSC-BUREAU OF RECORDS

Enclosure

GTH \_\_\_\_\_ cc: Beggs and Lane  
Jeffrey A. Stone, Esquire

DOCUMENT NUMBER - DATE

08391 AUG 12 1996

FPSC-RECORDS/REPORTING

ORIGINAL  
FILE COPY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power	)	
Cost Recovery Clauses and	)	Docket No. 960001-EI
Generating Performance Incentive	)	Filed: August 12, 1996
Factor	)	
	)	

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  
08391 AUG 12 86  
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 (Gulf)	Fuel Adjustment, true-up and projections	1, 2, 4, 9
2. M. W. Howell (Gulf)	Purchased Power -- energy and capacity transactions, true-up and projections	1, 2, 4, 9, 19a, 20a, 22a
3. S. D. Cranmer (Gulf)	Fuel Adjustment, true-up and projections; capacity costs, true-up and projections	1, 2, 3, 4, 5, 6, 7, 8, 19a, 20a, 21a, 22a, 23a
4. G. D. Fontaine (Gulf)	GPIF, reward/penalty and targets and ranges	14, 15, 17

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
<u>(MFO-1)</u>	Oaks	Gulf Power Company Coal Suppliers Oct. '95 - March '96
<u>(MFO-2)</u>	Oaks	Projected vs. Actual Fuel Cost of Generated Power Sept. '87 - March '97
<u>(MWH-1)</u>	Howell	Gulf Power Company -- Projected Purchased Power Contract Transactions Oct. '96 - Sept. '97
<u>(SDC-1)</u>	Cranmer	Calculation of fuel cost recovery final true-up, 10/95 through 3/96; Calculation of capacity cost recovery final true-up, 4/95 through 9/95; Calculation of capacity cost recovery true-up and interest provision, 4/95 through 9/95; Calculation of capacity cost recovery interest provision, 4/95 through 9/95
<u>(SDC-2)</u>	Cranmer	Schedules E-1 through E-12; H-1; CCE-1; CCE-2; A-1 through A-9 for Dec. '95 - May '96
<u>(GDF-1)</u>	Fontaine	Gulf Power Company GPIF Results Oct. '95 - March '96
<u>(GDF-2)</u>	Fontaine	Gulf Power Company GPIF Targets and Ranges Oct. '96 - March '97

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 and capacity cost recovery factors present the best estimate of Gulf's fuel expense for the period October 1996 through March 1997 and purchased power capacity expense for the period October 1996 through September 1997 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, 1995 through March, 1996?

GULF: Under recovery \$7,291,590. (Oaks, Howell, Cranmer)

ISSUE 2: What are the estimated fuel adjustment true-up amounts for the period April, 1996 through September, 1996?

GULF: Under recovery \$2,727,188. (Oaks, Howell, Cranmer)

ISSUE 3: What are the total fuel adjustment true-up amounts to be collected during the period October, 1996 through March, 1997?

GULF: Under recovery \$10,018,778. (Cranmer)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period October, 1996 through March, 1997?

GULF: 2.317¢/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 fuel factors should be effective beginning with the specified billing cycle and thereafter for the period October 1996 through March 1997. Billing cycles may start before October 1, 1996 and the last cycle may be read after March 31, 1997 so that each customer is billed for six months regardless of when the adjustment factor became effective.

The capacity cost recovery factors should be effective beginning with the specified billing cycle and thereafter for the period October 1996 through September 1997. Billing cycles may start before October 1, 1996 and the last cycle may be read after September 30, 1997 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, GSD, SBS OSIII, OSIV	1.01228
B	LP, SBS	0.98106
C	PX, PXT, RTP, SES	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	2.345	2.420	2.318
B	LP, SBS	2.273	2.345	2.246
C	PX, PXT, RTP, SBS	2.230	2.301	2.203
D	OSI, OSII	2.340	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, 1996 through March, 1997?

**Gulf:** 1.01609 (Cranmer)



ISSUE 9: Should an electric utility be permitted to include, for retail fuel cost recovery purposes, fuel costs of generation at any of its units which exceed, on a cents-per-kilowatt-hour basis, the average fuel cost of total generation (wholesale plus retail) out of those same units?

GULF: Yes. There are many hours in which the average and incremental costs will be above or below the period average. The fuel cost average is that, an average of points above and below the resulting average. Incremental costs almost always are lower than average costs in "valley" hours, and both incremental and average costs for peak hours are above the six-month period average. These relationships have nothing to do with whether it is prudent to make an off-system sale. If a sale is profitable for the customer and the utility, it should be made. The customer receives 80% of the profit from an off-system sale. The utilities' customers should not be denied this opportunity. (Howell, Oaks)

ISSUE 10: Should the investor-owned electric utilities continue to file Fuel Cost Recovery Forms, PSC/EAG8 (10/94) as required by Commission Directive issued April 24, 1980?

GULF: Agree with Staff's position as set forth in Staff's Preliminary List of Issues and Positions.

#### 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 14: What is the appropriate GPIF reward or penalty for performance achieved during the period October, 1995 through March, 1996?

GULF: \$44,234 penalty. (Fontaine)

ISSUE 15: What should the GPIF targets/ranges be for the period October, 1996 through March, 1997?

GULF: See table below: (Fontaine)

Unit	EAF	POF	EUOF	Heat Rate
Crist 6	90.2	4.9	5.0	10,710
Crist 7	81.9	4.9	13.3	10,626
Smith 1	92.2	4.9	2.9	10,269
Smith 2	91.8	4.9	3.3	10,354
Daniel 1	61.0	25.3	13.9	10,385
Daniel 2	79.9	13.7	6.5	10,141

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

#### Company-Specific GPIF Issues

##### Gulf Power Company

ISSUE 17: Should Gulf Power Company be allowed to use seasonal historical data to project heat rates for the next period?

GULF: Yes. The coal that is projected to be burned is significantly different than the fuel that has been burned during some of the other periods in the previous three years. Because of this difference, there would be a significant difference in the target heat rate curve using the entire data base versus using only relevant seasonal data.

The GPIF program was not established solely with the intent to reduce heat rate, but rather to insure that customers in the State of Florida would have a supply of electricity that was efficiently generated at the lowest possible cost. Although the Powder River Basin fuel increases the plant heat rate, the overall fuel cost to burn this fuel is less than the overall

fuel cost of burning other available fuel during the off-peak periods. This lower overall fuel cost is then passed on to Gulf Power Company's customers.

Therefore, Gulf Power should be allowed to use relevant data to project heat rates when the fuel to be burned for the projected period is significantly different than the fuel burned in prior periods. In this case, using seasonal data is the relevant data to use.

#### Generic Capacity Cost Recovery Issues

ISSUE 19a: What is the appropriate final purchased power capacity cost recovery true-up amount for the period April, 1995 through September, 1995?

GULF: Over recovery \$410,705. (Howell, Cranmer)

ISSUE 20a: What is the estimated purchased power capacity cost recovery true-up amount for the period October, 1996 through September, 1997?

GULF: Over recovery \$374,156. (Howell, Cranmer)

ISSUE 21a: What is the total capacity cost recovery true-up amount to be refunded during the period October, 1996 through September, 1997?

GULF: Over recovery \$784,861. (Cranmer)

ISSUE 22a: What is the appropriate projected net purchased power capacity cost recovery amount to be included in the recovery factor for the period October, 1996 through September, 1997?

GULF: \$12,118,326. (Howell, Cranmer)

ISSUE 23a: What are the appropriate capacity cost recovery factors for the period October, 1996 through September 1997?

GULF: See table below: (Cranmer)

RATE CLASS	CAPACITY COST RECOVERY FACTORS ¢/KWH
RS, RST	.167
GS, GST	.161
GSD, GSDT	.121
LP, LPT	.110
PX, PXT, RTP	.091
OSI, OSII	.040
OSIII	.096
OSIV	.203
SBS	.114

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 29-30, 1996, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 9th day of August, 1996.

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. 960001-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 9<sup>th</sup> day of August 1996 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

Suzanne Brownless, Esquire  
1311-B Paul Russell Road  
Suite 202  
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

Floyd R. Self, Esquire  
Messer, Vickers, Caparello,  
French and Madison  
P. O. Box 1876  
Tallahassee FL 32302-1876

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



JEFFREY A. STONE  
Florida Bar No. 325953  
RUSSELL A. BADDERS  
Florida Bar No. 0007455  
BEGGS & LANE  
P. O. Box 12950  
Pensacola FL 32578  
(904) 432-2451  
Attorneys for Gulf Power Company