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ORIGINAL



February 5, 1998

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. 980001-EI

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

Also enclosed is a 3.5 inch double sided, high density diskette containing the Statement in WordPerfect Windows 6.1 format as prepared on a Windows NT based computer.

Sincerely,

Susan D. Cranmer

- ACK _____
- AFA Handwritten _____
Susan D. Cranmer
- APP _____ Assistant Secretary and Assistant Treasurer
- CAF _____
- CMU _____ lw
- CTR _____ Enclosure
- EAG Handwritten _____
- LEG 1 cc: Beggs and Lane
Jeffrey A. Stone, Esquire
- LIN 3 _____
- OPC _____
- RCH _____
- SEC 1 _____
- WAS _____
- OTH _____

DOCUMENT CONTROL

01932 FEB-6 1998

PROCESSING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Fuel and Purchased Power)
Cost Recovery Clauses and)
Generating Performance Incentive)
Factor)
_____)

Docket No. 980001-EI
Filed: February 6, 1998

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.

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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>
	<u>(Direct)</u>		
1.	M. F. Oaks (Gulf)	Fuel Adjustment, true-up and projections	1, 2, 4
2.	S. D. Cranmer (Gulf)	Fuel Adjustment, true-up and projections	1, 2, 3, 4, 5, 6, 7, 8, 12A, 22
3.	G. D. Fontaine (Gulf)	GPIF, reward/penalty and targets and ranges	14, 15
4.	M. W. Howell (Gulf)	Purchased Power -- energy purchases and sales, projections	1, 2, 4, 12A

C. EXHIBITS:

<u>Exhibit Number</u>	<u>Witness</u>	<u>Description</u>
_____ (MFO-1)	Oaks	Gulf Power Company Coal Suppliers April 1997 - September 1997
_____ (MFO-2)	Oaks	Projected vs. actual fuel cost of generated power March '89 - September '98
_____ (SDC-1)	Cranmer	Calculation of Fuel Cost Recovery Final True-up, 4/97 through 9/97.
_____ (SDC-2)	Cranmer	Schedules E-1 through E-12 and H1
_____ (GDF-1)	Fontaine	Gulf Power Company GPIF Results April 1997 - September 1997
_____ (GDF-2)	Fontaine	Gulf Power Company GPIF Targets and Ranges April '98 - Sept. '98

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 present the best estimate of Gulf's fuel expense for the period April 1998 through September 1998 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 April, 1997 through September, 1997?

GULF: Over recovery \$2,886,443. (Oaks, Howell, Cranmer)

ISSUE 2: What are the estimated fuel adjustment true-up amounts for the period October, 1997 through March, 1998?

GULF: Under recovery \$1,127,041. (Oaks, Howell, Cranmer)

ISSUE 3: What are the total fuel adjustment true-up amounts to be refunded during the period April, 1998 through September, 1998?

GULF: Over recovery \$1,759,402. (Cranmer)

ISSUE 4: What are the appropriate levelized fuel cost recovery factors for the period April, 1998 through September, 1998?

GULF: 1.626¢/KWH. (Oaks, Howell, Cranmer)

ISSUE 5: What should be the effective date of the new fuel adjustment charge and capacity cost recovery charge for billing purposes?

GULF: The factors should be effective beginning with the specified billing cycle and thereafter for the period April, 1998 through September, 1998. Billing cycles may start before April 1, 1998 and the last cycle may be read after September

30, 1998 so that each customer is billed for six months regardless of when the adjustment 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/delivery voltage level class?

GULE:

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, SBS, CSA	0.96230
D	OSI, OSII	1.01228

ISSUE 7: What are the appropriate Fuel Cost Recovery Factors for each rate class/delivery voltage level class adjusted for line losses?

GULE: 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	1.646	2.169	1.395
B	LP, SBS	1.595	2.102	1.352
C	PX, RTP, SBS, CSA	1.565	2.062	1.326
D	OSI, OSII	1.463	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 April, 1998 through September, 1998?

Gulf: 1.01609 (Cranmer)

Company-Specific Fuel Adjustment Issues

Gulf Power Company

12A: Has Gulf Power Company properly calculated the transmission revenue associated with economy, Schedule C, broker energy sales between itself and directly interconnected utilities as directed by Order No. PSC-98-0073-FOF-EI in Docket No. 980001-EI, issued January 13, 1998?

GULE: Yes. (Howell, Cranmer)

Generic Generating Performance Incentive Factor Issues

ISSUE 14: What is the appropriate GPIF reward or penalty for performance achieved during the period April, 1997 through September, 1997?

GULE: \$300,745 penalty. (Fontaine)

ISSUE 15: What should the GPIF targets/ranges be for the period April, 1998 through September, 1998?

GULE: See table below: (Fontaine)

Unit	EAF	POF	EUOF	Heat Rate
Crist 6	85.2	8.75	6.04	10,584
Crist 7	87.0	2.71	10.27	10,291
Smith 1	83.4	13.66	2.98	10,197
Smith 2	72.8	21.84	5.37	10,311
Daniel 1	67.9	25.67	6.40	10,508
Daniel 2	91.1	4.92	4.01	10,270

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

Company-Specific GPIF Issues

NO COMPANY-SPECIFIC GPIF 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

Other Issues

ISSUE 22: Should the Commission approve a change in the frequency of the fuel and purchased power cost recovery hearings from semi-annual hearings to annual hearings? If the change is approved, what 12 month period (fiscal or calendar) should be used and how should the change be implemented?

GULF: Yes, the Commission should approve a change to annual hearings. Gulf Power favors the application of 12 month cost recovery factors established on a calendar year basis in all ongoing cost recovery dockets involving electric utilities (Dockets 980001-EI, 980002-EG, and 980007-EI). Holding annual hearings in all such dockets is administratively more efficient. Use of a calendar year cycle allows affected customers a better opportunity to incorporate accurate annual energy costs into their budget plans and, in general, is more consistent with Gulf Power's internal budgeting process.

After such a change is fully implemented, the Commission should hold hearings in mid to late November each year to establish cost recovery factors to be effective for the coming calendar year. The prehearing conference for such a hearing should be held at the beginning of November. Based on these dates for the prehearing and hearing, the utilities should make their projection filings (including estimated true-up) in early October. Final true-up filings for the previous calendar year recovery period could be filed as early as March 31. This would allow the Commission's audit staff the opportunity to efficiently schedule their field work associated with the Commission's audit of the various cost recovery clauses.

If the Commission decides to make the suggested change to annual calendar year factors effective January 1, 1999, Gulf Power would propose to make a transitional filing in June 1998 to include projection data for the period October through December 1998. At the time of this transitional filing, Gulf Power would indicate to the Commission whether revised factors for this short transitional period are necessary in lieu of allowing Gulf Power's 6-month fuel cost recovery factors approved in the February 1998 hearings (and Gulf Power's 12-month capacity cost recovery factors approved in the August 1997

hearings) to remain effective for three additional months to cover the period through December 1998.) (Cranmer)

E. 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 February 25-27, 1998, Gulf respectfully requests an opportunity to submit additional statements of position and, if necessary, file additional testimony.

Dated this 5 th day of February, 1998.

Respectfully submitted,



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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. 980001-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 5th day of February 1998 on the following:

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