

One Energy Place  
Pensacola, Florida 32520

Tel 850 444 6000

ORIGINAL



April 30, 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. 980366-EI

Enclosed are an original and fifteen copies of Gulf Power Company's Request for Confidential Classification.

Sincerely,

A handwritten signature in cursive script that reads "Susan D. Cranmer".

Susan D. Cranmer  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire  
Florida Public Service Commission  
Patricia S. Lee

X-ref DN04118-98  
DOCUMENT NUMBER-DATE

04923 MAY-1 8

FPSC-RECORDS/REPORTING

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Request by Gulf Power Company for )  
 approval to initiate amortization of a ) Docket No.: 980366-EI  
 cogeneration facility projected to be ) Filed: May 1, 1998  
 placed in service in April 1998. )

REQUEST FOR CONFIDENTIAL CLASSIFICATION

Notices and communications with respect to this docket should be addressed to:

Jeffrey A. Stone	Susan D. Cranmer
Russell A. Badders	Assistant Secretary and Assistant Treasurer
Beggs & Lane	Gulf Power Company
P. O. Box 12950	One Energy Place
Pensacola, FL 32576-2950	Pensacola, FL 32520-0780

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned counsel, and pursuant to Rule 25-22.006, Florida Administrative Code, hereby files a request that the Florida Public Service Commission enter an order protecting from public disclosure the Company's responses to a request for information submitted by the staff of the Florida Public Service Commission dated March 27, 1998, hereafter "information request". As grounds for this request, Gulf Power Company states:

1. The information requested is entitled to confidential classification pursuant to Section 366.093(3)(e). The Company's responses to the information request contain proprietary confidential business information regarding contractual matters which would cause irreparable harm to Gulf Power Company, its general body of customers and the entity with whom Gulf Power has contracted if such information is disclosed to the general public. The responses also contain information relating to competitive interests which would cause irreparable harm to Gulf Power Company, its general body of customers and the entity with whom Gulf Power has contracted if such information is disclosed to the general public.

DOCUMENT NUMBER-DATE

04923 MAY-1 88

FPSC-RECORDS/REPORTING

2. The information for which confidential classification is sought is intended to be, and is treated as, confidential by Gulf Power Company and the entity with whom it has contracted and has not been otherwise publicly disclosed.

3. Submitted as Exhibit "A" is a copy of the Company's responses to the information request, on which is highlighted the information for which confidential classification is requested. Exhibit "A" should be treated as confidential pending a ruling on this request. Attached as Exhibit "B" are two (2) edited copies of the responses to the information request, which may be made available for public review and inspection. Attached as Exhibit "C" to this request is a line-by-line justification for the request for confidential classification.

WHEREFORE, Gulf Power Company respectfully requests that the Commission enter an order protecting the information highlighted on Exhibit "A" from public disclosure as proprietary confidential business information.

Respectfully submitted this 30 th day of April 1998,

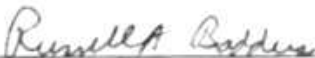
  
\_\_\_\_\_  
**JEFFREY A. STONE**  
Florida Bar No. 325953  
**RUSSELL A. BADDERS**  
Florida Bar No. 007455  
**Beggs & Lane**  
P. O. Box 12950  
(700 Blount Building)  
Pensacola, FL 32576-2950  
(850) 432-2451  
**Attorneys for Gulf Power Company**

EXHIBIT "B"

Commissioners:  
JULIA L. JOHNSON, CHAIRMAN  
J. TERRY DEASON  
SUSAN F. CLARK  
JOE GARCIA  
E. LEON JACOBS, JR.



TIMOTHY DEVLIN, DIRECTOR  
AUDITING & FINANCIAL ANALYSIS  
(850) 413-6480

## Public Service Commission

March 27, 1998

Ms. Susan D. Cranmer  
Gulf Power Company  
Post Office Box 13470  
Pensacola, Florida 32591-3470

Re: Docket No. 980366-EI

Dear Ms. Cranmer:

Gulf Power Company's request for amortization of its investment in a cogeneration facility located in Pace, Florida, is under review. Staff would like to understand more about this facility and the role it will play in Gulf's provision of electric service for the community served.

Attached are several questions from staff concerning Gulf's request. Please provide the Company's responses, and any other information which would help the Commission evaluate the request, by April 10, 1998. This should allow staff to file a recommendation for the Commission's consideration at its May 19, 1998, Agenda Conference.

Please be advised that the Recommendation or Commission action in this docket should not be regarded as a review or judgment concerning the prudence of the associated capital investment.

We appreciate your cooperation in providing the requested information.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patricia S. Lee".

Patricia S. Lee  
US/C Engineer Supervisor

PSL/JS/frp  
Attachment

cc: Division of Records and Reporting  
Division of Legal Services (C. Keating)  
Division of Electric and Gas (Bohrmann, Colson)  
Division of Auditing and Financial Analysis (Sickel)

## DEPRECIATION QUESTIONS

1. In your letter dated March 13, 1998, Gulf requested an amortization over a 20-year period for its investment in a cogeneration facility at Pace, Florida.
  - a. What is the basis for the "20-year life" mentioned in your letter?
  - b. Please provide any available support for the 20-year period, as compared to a longer or shorter period.
2. Why does Gulf propose an amortization, rather than recovery by a depreciation rate?
3.
  - a. Please clarify the Company's view relating to interim net salvage. Does Gulf propose that interim net salvage be set at zero for purposes of capital recovery at the present time or that it be set at a non-zero value? If Gulf proposes that interim net salvage be set at a non-zero value, what is that non-zero value?
  - b. Please explain the rationale and provide any available information that supports Gulf's salvage proposal provided in response to question 3a, above.
4. What are Gulf's current plans for the plant equipment relating to this investment and operation at the end of the "20-year life of the Cogeneration Facility"?
5. In your March 13, 1998, letter, you stated that "Gulf Power is purchasing these combustion turbines and the related equipment as a turnkey project when the facility achieves commercial in-service status."
  - a. What "related equipment" will be included in the purchase?
  - b. Will the purchased equipment function in conjunction with operations of another Company at the same site? If so, please name the other company and describe the other products (in addition to electric power) which will be produced at this site.
  - c. Please enumerate the criteria that Gulf intends to use in order to determine when the units have achieved "commercial in-service status" and describe any operating parameters which would remain to be proved. If any specifics are technically detailed, a summary would be adequate.
6. Please describe how Gulf intends to utilize the power generated by this facility.

7. Staff would like to understand Gulf's responsibilities for anticipated expenditures relating to this site, including capital, operating, and maintenance. In particular, what are Gulf's anticipated responsibilities relating to:
  - a. Purchase of fuel?
  - b. Normal (non-fuel) operating costs?
  - c. Equipment maintenance?
  - d. Equipment replacement?
  - e. Facility dismantlement?

#### OPERATIONAL QUESTIONS

8. How will Gulf price the electricity and steam from this cogeneration facility?
9. Please provide copies of all contracts for sale of energy from this facility.
10. What is the cost/kw for this facility?
11. How does the price of this cogeneration facility compare to Gulf's avoided cost?
12. If the cost/kw(provided in response to number 10 above) is higher than Gulf's avoided cost, please explain how purchasing this facility will provide a greater benefit to Gulf's ratepayers than other options, including conservation.
13. How will Gulf book the revenues from the sale of steam from this facility?
14. What tariff rate will Gulf use to sell electricity to the steam user?
15. How will this cogeneration facility be dispatched? Will economics determine how it will run, or will there be "must run" periods in order for Gulf to supply steam?

1. In your letter dated March 13, 1998, Gulf requested an amortization over 20-year period for its investment in a cogeneration facility at Pace, Florida.
  - a. What is the basis for the "20-year life"?
  - b. Please provide any available support for the "20-year life", period as compared to a longer or shorter period.

RESPONSE:

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a.

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b.

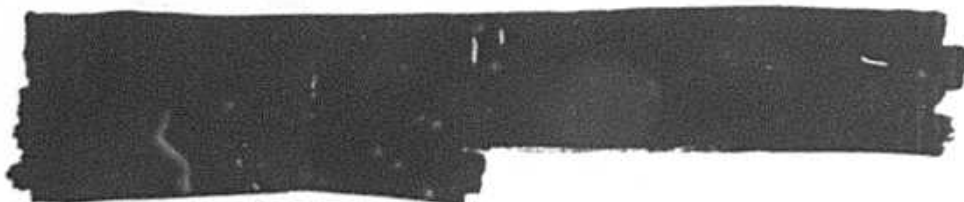
[REDACTED]



2. Why does Gulf propose an amortization, rather than recovery by a depreciation rate?

RESPONSE:

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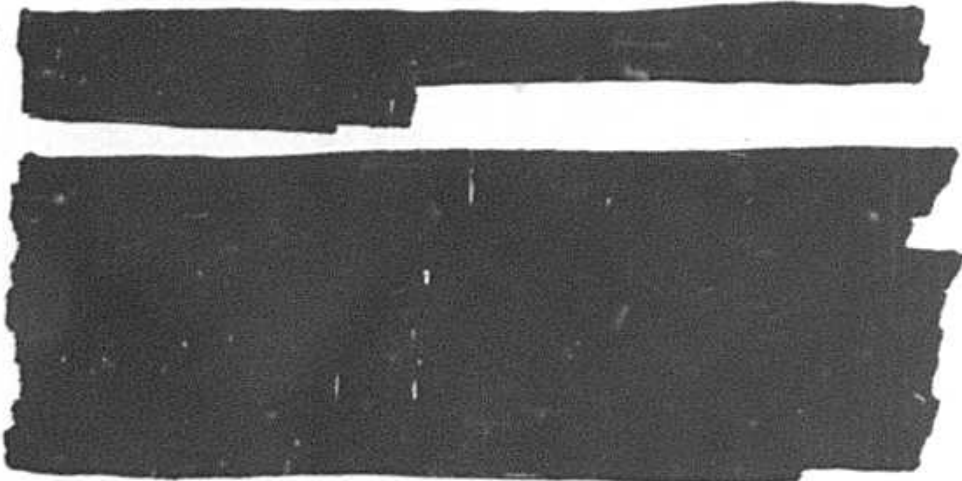
- 3 a. Please clarify the Company's view relating to interim net salvage. Does Gulf propose that interim net salvage be set at zero for purposes of capital recovery at the present time or that it be set at a non-zero value? If Gulf Proposes that interim net salvage be set at a non-zero value, what is that non-zero value?
- b. Please explain the rationale and provide any available information that supports Gulf's salvage proposal provided in response to question 3a, above.

RESPONSE:

1 a. Gulf is proposing that interim net salvage be set at a zero value.

2 b.  
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4. What are Gulf's current plans for the plant equipment relating to this investment and operations at the end of the 20-year life of the "Cogeneration Facility?"

RESPONSE:

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5. In your March 13, 1998 letter you stated that "Gulf Power is purchasing these combustion turbines and the related equipment as a turnkey project when the facility achieves commercial in-service status."
- a. What "related equipment" will be included in the purchase?
  - b. Will the purchased equipment function in conjunction with operations of another Company at the same site? If so, please name the other company and describe the products (in addition to electric power) which will be produced at this site.
  - c. Please enumerate the criteria that Gulf intends to use in order to determine that the units have achieved "commercial in-service status" and describe any operating parameters which would remain to be proved. If any specifics are technically detailed, a summary would be adequate.

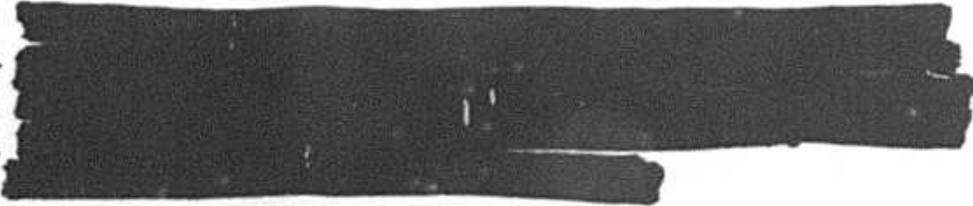
RESPONSE:

- 1 a. [REDACTED]
- 2 [REDACTED]
- 3 [REDACTED]
- 4 [REDACTED]
- 5 b. [REDACTED]
- 6 c. [REDACTED]
- 7 [REDACTED]
- 8 [REDACTED]
- 9 [REDACTED]
- 10 [REDACTED]
- 11 [REDACTED]
- 12 [REDACTED]
- 13 [REDACTED]
- 14 [REDACTED]

6. Please describe how Gulf intends to utilize the power generated by this facility.

RESPONSE:

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7. Staff would like to understand Gulf's responsibilities for anticipated expenditures relating to this site, including capital, operating, and maintenance. In particular, what are Gulf's anticipated responsibilities relating to:
- a. Purchase of fuel?
  - b. Normal (non-fuel) operating costs?
  - c. Equipment maintenance?
  - d. Equipment replacement?
  - e. Facility dismantlement?

RESPONSE:

1 a. [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]

7 b. [REDACTED]  
8 [REDACTED]

9 c. [REDACTED]  
10 [REDACTED]

11 d. [REDACTED]  
12 [REDACTED]

13 e. [REDACTED]  
14 [REDACTED]  
15 [REDACTED]

8. How will Gulf price the electricity and steam from this cogeneration facility?

RESPONSE:

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8. How will Gulf price the electricity and steam from this cogeneration facility?

RESPONSE:

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9. Please provide copies of all contracts for sale of energy from this facility.

RESPONSE:

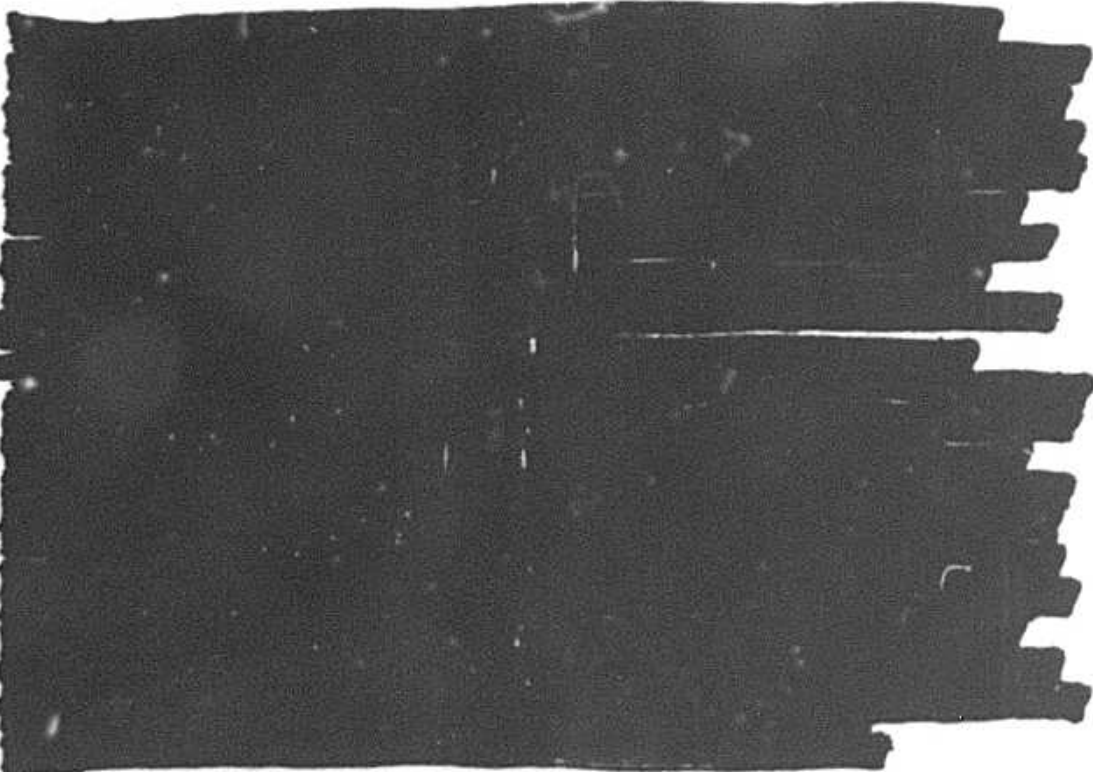
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[REDACTED]

10. What is the cost/kw for this facility?
11. How does the price of this cogeneration facility compare to Gulf's avoided cost?
12. If the cost/kw (provided in response to number 10 above) is higher than Gulf's avoided cost, please explain how purchasing this facility will provide a greater benefit to Gulf's ratepayers than other options, including conservation.

RESPONSE:

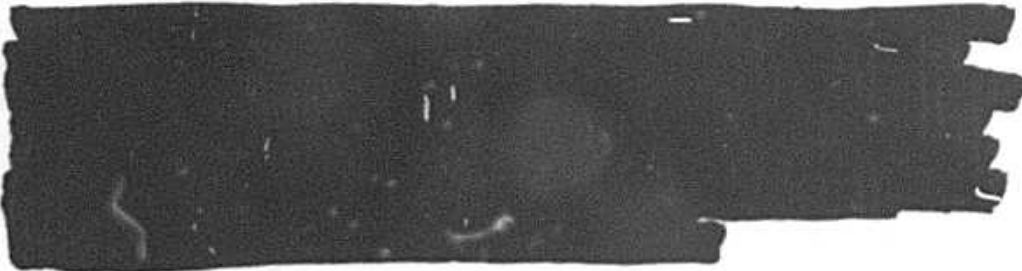
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13. How will Gulf book the revenues from the sale of steam from this facility?

RESPONSE:

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14. What tariff rate will Gulf use to sell electricity to the steam user?

RESPONSE:

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]

15. How will this cogeneration facility be dispatched? Will economics determine how it will run, or will there be "must run" periods in order for Gulf to supply steam?

RESPONSE:

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]

8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]

EXHIBIT "C"

<b><u>Field/Document Identification</u></b>	<b><u>Justification</u></b>
Item 1 Page 1 Lines 1 - 6	This information is entitled to confidential classification pursuant to Section 366.093(3)(e). Public disclosure of this information would cause irreparable harm to Gulf Power Company, its general body of customers and the entity with whom Gulf Power has contracted. The information provided by Gulf in response to this request is proprietary confidential business information regarding contractual matters.
Item 2 Page 1 Lines 1 - 5	Specific contractual terms and conditions are discussed in this response. Public disclosure of this information would impair the ability of Gulf Power Company to negotiate terms and conditions in future contracts that are the most favorable to Gulf and its general body of customers.
Item 3 Page 1 Lines 2 - 13	This would cause irreparable harm to Gulf's position with regard to other competitors for the same services and products. The information is regarded as sensitive and confidential by the entity with whom Gulf has contracted because its public disclosure would impact that entity's ability to compete in its native markets.
Item 4 Page 1 Lines 1 - 5	
Item 5 Page 1 Lines 1 - 14	
Item 6 Page 1 Lines 1 - 5	
Item 7 Page 1 Lines 1 - 15	
Item 8 Page 1 Lines 1 - 8	

**Field/Document  
Identification**

**Justification**

Item 9  
Page 1  
Lines 1 - 4

This information is entitled to confidential classification pursuant to Section 366.093(3)(e) and is subject to a previously filed request for confidential classification. [See DN 01785-98 and/or DN 01786-98] This item requests a copy of the contract associated with the facility. Public disclosure of this information would cause irreparable harm to Gulf Power Company, its general body of customers and the entity with whom Gulf Power has contracted. The information provided by Gulf in response to this request is proprietary confidential business information regarding contractual matters. Specific contractual terms and conditions are discussed in this response. Public disclosure of this information would impair the ability of Gulf Power Company to negotiate terms and conditions in future contracts that are the most favorable to Gulf and its general body of customers. This would cause irreparable harm to Gulf's position with regard to other competitors for the same services and products. The information is regarded as sensitive and confidential by the entity with whom Gulf has contracted because its public disclosure would impact that entity's ability to compete in its native markets. In addition, disclosure of the information at lines 1-4 of the response would reveal contractual terms and is entitled to confidential classification.

Item 10, 11, 12  
Page 1  
Lines 1 - 21

This information is entitled to confidential classification pursuant to Section 366.093(3)(e). Public disclosure of this information would cause irreparable harm to Gulf Power Company, its general body of customers and the entity with whom Gulf Power has contracted. The

Item 13  
Page 1  
Lines 1 - 7

information provided by Gulf in response to this request is proprietary confidential business information regarding contractual matters.

Item 14  
Page 1  
Lines 1 - 4

Specific contractual terms and conditions are discussed in this response. Public disclosure of this information would impair the ability of Gulf Power Company to negotiate terms and conditions in future contracts that are the most favorable to Gulf and its general body of customers. This would cause irreparable harm to Gulf's position with regard to other competitors for the same services and products. The information

Item 15  
Page 1  
Lines 1 - 12

is regarded as sensitive and confidential by the entity with whom Gulf has contracted because its public disclosure would impact that entity's ability to compete in its native markets.