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May 7, 1999

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MAY -7 AM 4:03
RECORDS AND REPORTING
COUNSEL
ELIZABETH BOWMAN

Ms. Blanca S. Bayó
Director, Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Petition of Gulf Power Company to Determine Need for
Proposed Electrical Power Plant in Bay County, Florida
Docket No. 990325-EI

Dear Ms. Bayó:

Enclosed for filing on behalf of Gulf Power Company are the
original and fifteen copies of its Prehearing Statement.

By copy of this letter, this document has been furnished to
the parties on the attached service list.

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

Very truly yours,

Richard D. Melson

Richard D. Melson

RDM/kcg

Enclosures

cc: Jeff Stone
Russell Badders
Bill Pope
Linda Webb

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf)
Power Company to Determine) Docket No. 990325-EI
Need for Proposed Electrical)
Power Plant in Bay County,) Filed: May 7, 1999
Florida)
_____)

GULF POWER COMPANY'S
PREHEARING STATEMENT

Gulf Power Company, ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned attorneys, hereby files this prehearing statement in compliance with the Order Establishing Procedure.

A. Known Witnesses. Gulf Power will present the direct testimony of the following witnesses:

<u>Witness</u>	<u>Subject Matter</u>
Robert G. Moore	Overview
Margaret D. Neyman/ Michael J. Marler (Panel)	Load Forecasting; Demand Side Management
William F. Pope	Integrated Resource Planning; Fuel Price Forecast; Financial Assumptions; Self-Build Option Selection Process
Maria Jeffers Burke	RFP Process
M.W. Howell	Summary of Project; Consequences of Delay

B. Known Exhibits. Gulf Power intends to offer the following prefiled exhibits:

<u>Witness</u>	<u>Exhibit</u>	<u>Schedule</u>	<u>Title</u>
Moore	--		Need Study §9.1, 9.2, 9.3
	RGM-1	Sched. 1	Smith Unit 3 Operating Characteristics
		Sched. 2	Installed Cost Estimate for Smith Unit 3
Marler/Neyman	---		Need Study §4, Appendix B
	MDN/MJM-1	Sched. 1	History and Forecast Summary
		Sched. 2	Demand Side Management Programs
		Sched. 3	Conservation Programs Cumulative Annual Reductions at Generator
Pope	---		Need Study §3, 5, 6, 7, Appendix C, D
	WFP-1	Sched. 1	Summary of Economic Analysis
		Sched. 2	Gulf's Future Reserves Beginning in 2002 With the Addition of Smith Unit 3
Burke	---		Need Study §8, Appendix E
	MJB-1	Sched. 1	RFP Initial Screening Results
		Sched. 2	RFP Relative Ranking - Detailed Evaluation

C. Basic Position. Gulf Power Company has determined that in order to provide reliable, cost-effective service to its customers, it must add at least 427 MW of generating resources to its system by the summer of 2002. The most cost-effective way for Gulf to meet this need is to construct a 575 MW natural gas-fired combined cycle unit at its existing Smith Generating Plant. Smith Unit 3 is substantially more cost-effective than any offer made in response to Gulf's Request for Proposals or any other self-build alternative.

D. to F. Issues. The following is Gulf's position on the factual, legal and policy issues identified by the parties:

Issue 1: Has Gulf Power Company demonstrated a need for the proposed Smith Unit 3, taking into account the need for electric system reliability and integrity, as this criterion is used in Section 403.519, Florida Statutes?

Gulf: Yes. In order to provide its customers with adequate and reliable capacity resources, Gulf must add at least 427 MW of generating resources to its system by the summer of 2002. Locating the generation in the Panama City area will provide needed voltage support that will contribute to the integrity of the electric system.

Issue 2: Has Gulf Power Company demonstrated a need for the proposed Smith Unit 3, taking into account the need for adequate electricity at a reasonable cost, as this criterion is used in Section 403.519, Florida Statutes?

Gulf: Yes. In order to provide adequate electricity to reliably meet its customers' needs, Gulf must add at least 427 MW of generating resources to its system by the summer of 2002. Smith Unit 3 will supply adequate

electricity to meet this need at a reasonable cost which is significantly lower than any other alternative available.

Issue 3: Did Gulf Power Company's Request for Proposals, and the subsequent analysis of responses, result in Gulf selecting the most cost-effective alternative available?

Gulf: Yes. In order to test the market for capacity and to ensure that it was obtaining the best value for its customers, Gulf issued a Request for Proposals for capacity alternatives. Gulf's evaluation process ensured that the respondents' proposals and the self-build Smith Unit 3 alternative were compared on an equal footing. That process, which complied with both the letter and spirit of the Commission's bidding rules, demonstrated that Smith Unit 3 is the most cost-effective alternative available.

Issue 4: Did Gulf Power adequately evaluate and include the cost of gas transmission system interconnection for each of the self-build options and respondents to Gulf's Request for Proposals?

Gulf: Yes.

Issue 5: Did Gulf Power adequately evaluate and include the cost of electric transmission system interconnection for each of the self-build options and respondents to Gulf's Request for Proposals?

Gulf: Yes.

Issue 6: Has Gulf Power Company demonstrated that the proposed Smith Unit 3 is the most cost-effective alternative available, as this criterion is used in Section 403.519, Florida Statutes?

Gulf: Yes. Gulf's analysis demonstrates that Smith Unit 3 has an evaluated net present value cost of \$282/KW in 2002 dollars, compared to a cost of \$495/KW for the next most cost-effective alternative.

Issue 7: Are there any conservation measures taken by or reasonably available to Gulf Power Company which might mitigate the need for the proposed Smith Unit 3?

Gulf: No. Gulf has implemented conservation programs which are designed to provide the maximum amount of cost-effective conservation reasonably available to the company. Even with these measures, Gulf still has a need for at least 427 MW of additional resources by the summer of 2002.

Issue 8: Should the Commission grant Gulf Power Company's petition to determine the need for the proposed Smith Unit 3?

Gulf: Yes.

Issue 9: Should this docket be closed?

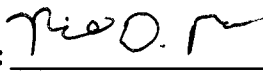
Gulf: Yes.

G. Stipulations. No issues have been stipulated at this time.

H. Pending Matters. Gulf has no pending motions or other matters that require action at this time.

I. Requirements of Order on Procedure. Gulf has not identified any requirements of the Order on Procedure that cannot be complied with.

RESPECTFULLY SUBMITTED this 7th day of May, 1999.

By: 
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Attorneys for Gulf Power Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished to the following parties by U.S. Mail or Hand Delivery (*) this 7th day of May, 1999.

Grace Jaye (*)
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Florida Public Service Commission
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Tallahassee, FL 32399-0850

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